



Dave Yost • Auditor of State

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position – June 30, 2015	14
Statement of Activities – For the Fiscal Year Ended June 30, 2015	15
Balance Sheet – Governmental Fund – June 30, 2015.....	16
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities – June 30, 2015	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund – For the Year Ended June 30, 2015.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities – For the Fiscal Year Ended June 30, 2015	19
Statement of Fiduciary Assets and Liabilities – Agency Fund – June 30, 2015.....	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of the Council's Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio – Last Two Fiscal Years	42
Schedule of Council Contributions – School Employees Retirement System of Ohio – Last Ten Fiscal Years	44
Additional Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2015	47
Notes to the Additional Supplementary Information	48
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Schools Council
Cuyahoga County
6393 Oak Tree Boulevard, Suite 377
Independence, Ohio 44131

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ohio Schools Council, Cuyahoga County, Ohio (the Council), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ohio Schools Council, Cuyahoga County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Council adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Council's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017

This page intentionally left blank.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of Ohio Schools Council's (the Council) financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- Net position of governmental activities increased by \$229,351 from fiscal year 2014 mainly due to an increase in current and other assets.
- In total, the Council's program specific charges for services exceeded the expenses by \$178,600.
- The general fund, the Council's only operating fund, increased by \$220,494 from the fiscal year 2014 balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Council's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *statement of activities* presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by user fees and charges and the program expenses used to operate during the fiscal year.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental and fiduciary funds.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be the major fund.

The basic fund financial statements can be found on pages 16-19 of this report.

Fiduciary Funds The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the Council's own programs. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trusts funds and agency funds. Trust funds are used to account for assets held by the Council under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Council's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Council's only fiduciary fund is an agency fund.

The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the Basic Financial Statements The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.59 million at the close of the most recent fiscal year.

More than ninety-nine percent of the Council's net position reflects its unrestricted net position. The Council uses unrestricted net position to meet ongoing obligations to creditors. Less than one percent of the net position is investments in capital assets (e.g., equipment and furniture). The Council uses these capital assets to provide services to the school districts; consequently, these assets are not available for future spending.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

At the end of the current fiscal year, the Council is able to report positive balances in both categories of net position in the governmental activities. The same situation held true for the prior fiscal year.

The following table shows net position for fiscal year 2015 compared to fiscal year 2014.

Table 1 - Net Position

	Governmental Activities		
	2015	2014	Change
Assets			
Current and Other Assets	\$8,440,578	\$8,204,713	\$235,865
Capital Assets	27,048	28,051	(1,003)
<i>Total Assets</i>	<u>8,467,626</u>	<u>8,232,764</u>	<u>234,862</u>
Deferred Outflows of Resources			
Pension	66,356	56,739	9,617
Liabilities			
Current Liabilities	77,500	59,511	(17,989)
Long-term Liabilities:			
Due Within One Year	15,098	4,998	(10,100)
Due in More Than One Year:			
Net Pension Liability	707,013	830,751	123,738
Other Amounts Due In More Than One Year	23,737	27,710	3,973
<i>Total Liabilities</i>	<u>823,348</u>	<u>922,970</u>	<u>99,622</u>
Deferred Inflows of Resources			
Pension	114,750	0	114,750
Net Position			
Investment in Capital Assets	27,048	28,051	(1,003)
Unrestricted	7,568,836	7,338,482	230,354
<i>Total Net Position</i>	<u><u>\$7,595,884</u></u>	<u><u>\$7,366,533</u></u>	<u><u>\$229,351</u></u>

During 2015, the Council adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Council's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Council's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Council is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

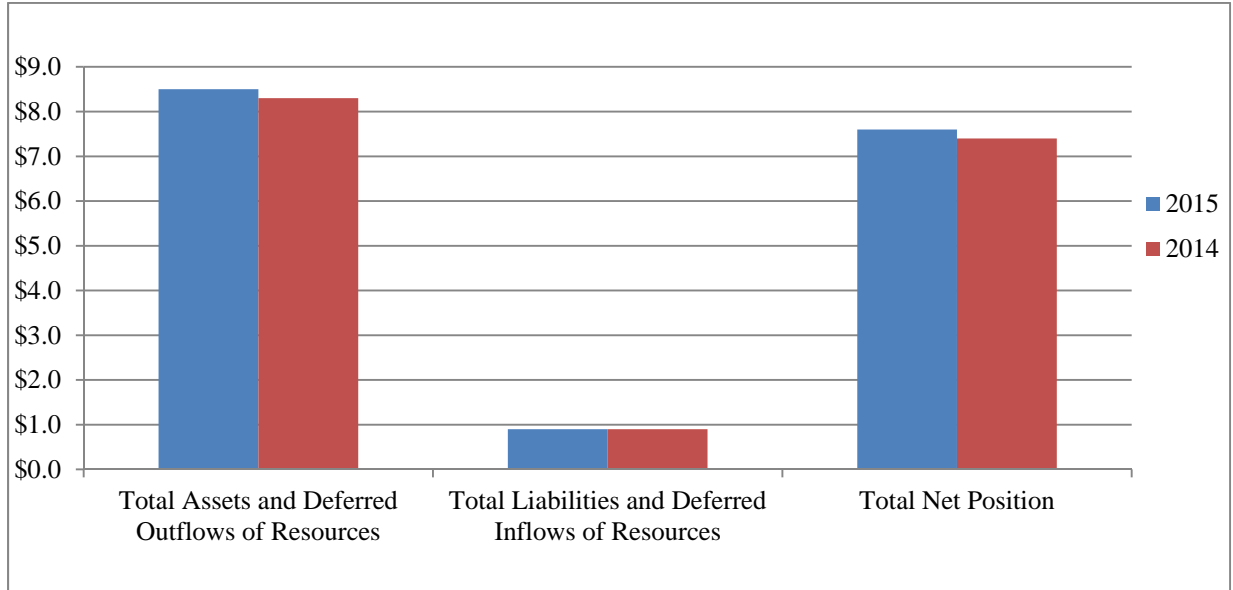
Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Council's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Council is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$8,136,538 to \$ 7,366,533.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Activities – Net Position (In Millions)



As noted above, the Council's net position increased by \$229,351. In addition to additional members joining individual programs which increased program administrative/service fees, the Association of Education Purchasing Agencies (AEPA) Distribution amount increased over the fiscal year 2014 amount.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Activities

The following table shows changes in net position for fiscal year 2015 compared to the prior fiscal year.

Table 2 - Changes in Net Position

	Governmental Activities		
	2015	2014	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,297,314	\$1,327,870	(\$30,556)
General Revenues:			
Investment Earnings	50,751	16,635	34,116
Miscellaneous	0	1,830	(1,830)
Total General Revenues	50,751	18,465	32,286
<i>Total Revenues</i>	1,348,065	1,346,335	1,730
Program Expenses			
Operational	156,896	142,007	(14,889)
Cooperative Purchasing	203,578	203,339	(239)
Lake Erie Educational Media Consortium	47,066	45,015	(2,051)
Special Programs	37,011	14,882	(22,129)
Property/Fleet/Liability Insurance	46,227	50,375	4,148
Professional Development	6,167	4,183	(1,984)
Electrical Energy Program	162,884	142,780	(20,104)
Natural Gas Program	256,470	203,428	(53,042)
Life Insurance	2,415	76	(2,339)
Prepaid Account	200,000	80,000	(120,000)
Total Expenses	1,118,714	886,085	(232,629)
Increase in Net Position	229,351	460,250	234,359
Net Position, Beginning of Year	7,366,533	N/A	
Net Position, End of Year	\$7,595,884	\$7,366,533	\$229,351

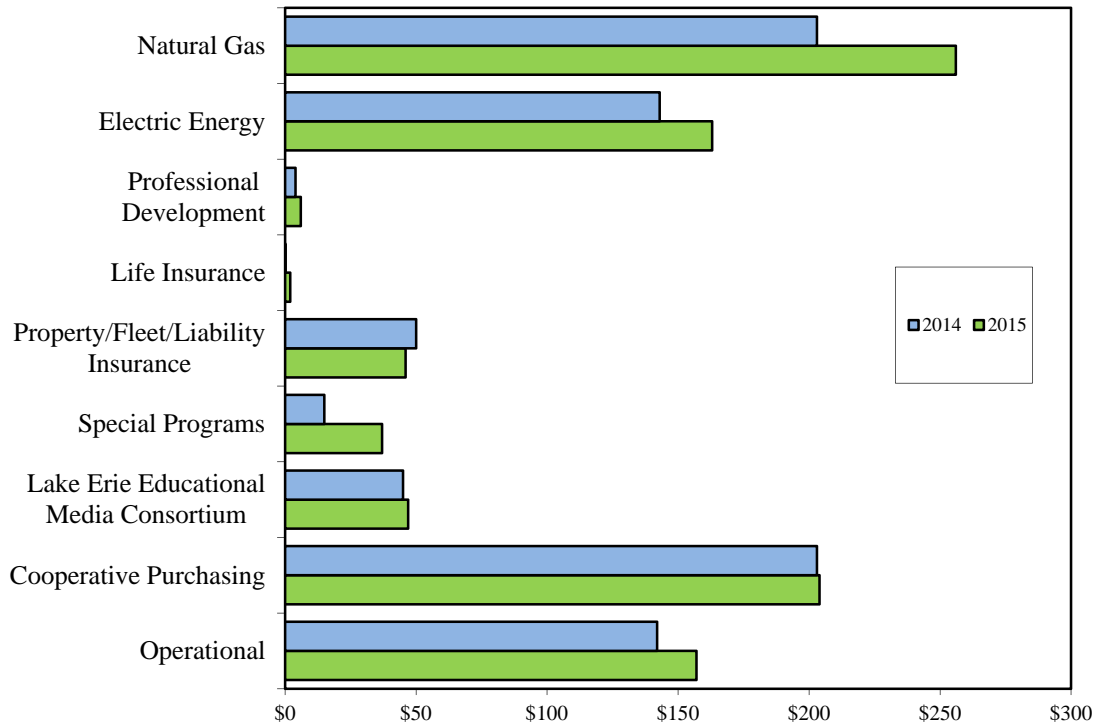
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$56,739 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$41,734. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Total 2015 program expenses under GASB 68	\$1,118,714
Pension expense under GASB 68	(41,734)
2015 contractually required contribution	60,339
Adjusted 2015 program expenses	1,137,319
Total 2014 program expenses under GASB 27	(886,085)
Increase in program expenses not related to pension	\$251,234

Charges for services revenues decreased in fiscal year 2015 because the Council did not receive any administrative payments from the Energy Efficiency Program or rebates from projects submitted to First Energy and the Public Utilities Commission of Ohio (PUCO) to reduce consumption.

Program Expenses – Governmental Activities
(in Thousands)



Program expenses increased in fiscal year 2015 because salary increases were provided to all employees. All employees were placed on a salary schedule beginning in January 2014 and in July 2014 each employee moved to the next step. The Council also added a staff member with medical insurance in May 2015. The allocation of these expenses were spread among the programs. Program expenses also increased in fiscal year 2015 because the Council bought more computer technology service hours than in fiscal year 2014.

Natural gas expenses were higher in fiscal year 2015 than fiscal year 2014 because salaries increased and a large portion of the distribution was allocated to the Natural Gas Program. Associated legal fees and natural gas consumption were also higher than in fiscal year 2014.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The electrical energy program expenses increased in fiscal year 2015 as the result of increased legal fees and staff salary increases.

The Property/Fleet/Liability Insurance program expenses decreased due to the reduction of consultant services utilized in fiscal year 2015.

Special Programs expenses increased because the allocation of salaries and operational expenses were charged to this account.

Analysis of the Governmental Fund

Governmental Fund Information about the Council's governmental fund starts on page 16. This fund uses the modified accrual basis of accounting. The Council only has one governmental fund, the general fund, which is the chief operating fund of the Council. The general fund had total revenues of \$1,348,065 and expenditures of \$1,127,571. The total general fund balance increased by \$220,494 for fiscal year 2015. Of the \$8,369,376 fund balance, \$238,992 is nonspendable, \$23,744 is assigned and \$8,106,640 is unassigned. As a measure of the general fund's liquidity, it may be useful to compare expenditures to unassigned fund balance.

Capital Assets

During fiscal year 2015, the Council acquired \$3,043 in new capital assets, offset by a year's depreciation.

Table 3 - Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	
	2015	2014
Furniture and Equipment	\$27,048	\$28,051

The Council continued its ongoing commitment to maintaining and improving its capital assets. For more information on the Council's capital assets, see Note 8.

Long-Term Obligations

At June 30, 2015, the Council had no outstanding bonded long-term debt. The long-term liabilities listed in Table 1 are those accumulated for compensated absences and net pension liability. For additional information on long-term obligations, see Note 9 to the basic financial statements.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Current Issues Affecting Financial Condition

The finances of the Council are dependent upon school district membership dues, and participation of school districts and municipalities in various programs offered through the Council for which the Council charges fees. The municipalities and other non-school entities cannot join the Council, but can participate in the programs offered by the Council by joining as an Affiliate Member. The Council currently has nine cities participating in the cooperative purchasing program as well as one College and the Cleveland Metroparks. There is one city in the life insurance program and three municipalities participating in the Health Alliance Program. Membership in the Council has grown to 200 school districts in 33 counties.

The mission of the Council is to provide school districts the opportunity to buy products and services at significantly reduced prices. The Council has negotiated significant savings for school districts to purchase natural gas, electricity, various types of insurance, and various types of supplies and equipment. In addition to the Council's annual membership fee, members are charged fees to participate in a property, fleet and general liability insurance program (the fee was waived for fiscal year 2015), life insurance program, cooperative purchasing program (the fees were reduced by half for fiscal year 2015), school bus purchasing program (the fees were reduced by half for fiscal year 2015), Lake Erie Educational Media Consortium (LEEMC), Natural Gas Program, Computer Technology Services, Time Clock Program and the Electronic Vendor Audit System (EVAS). Changes in the number of school districts participating in any of these programs will affect the total revenue of the Council.

The Council also receives revenue from FirstEnergy for the Power4Schools Electric Program. The revenue is based on the kwh delivered to the member school districts and from the AEPA, a 26 state cooperative purchasing organization, that provides revenue to each participating state for member purchases from awarded contracts. AEPA issues payment to the Ohio Council of Educational Purchasing Consortia (OCEPC) and they distribute payment to each regional cooperative each year. The total AEPA payment is divided by all the total of all Ohio cooperatives student enrollment to determine a per student amount. Then, the per student amount is multiplied by each cooperatives student count to determine the amount distributed to each regional cooperative. And, the Council also receives payments from First Energy for the Energy Efficiency Program. The Council is designated as a Program Administrator. We receive rebates for projects submitted by Brewer Garrett Company to First Energy and PUCO to reduce consumption and save school districts money.

Contacting the Council's Financial Management

This financial report is designed to provide our members, investors and creditors with a general overview of the Council's finances and to show the Council's accountability for money it receives. If you have questions about this report or need additional financial information, contact William Zelei, Executive Director, at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

Ohio Schools Council
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,163,529
Accounts Receivable	28,578
Accrued Interest Receivable	9,479
Prepaid Items	236,643
Materials and Supplies Inventory	2,349
Depreciable Capital Assets	27,048
<i>Total Assets</i>	8,467,626
Deferred Outflows of Resources	
Pension	66,356
Liabilities	
Accounts Payable	19,113
Accrued Wages and Benefits Payable	44,223
Intergovernmental Payable	7,866
Vacation Benefits Payable	6,298
Long-Term Liabilities:	
Due Within One Year	15,098
Due In More Than One Year:	
Net Pension Liability (See Note 10)	707,013
Other Amounts Due In More Than One Year	23,737
<i>Total Liabilities</i>	823,348
Deferred Inflows of Resources	
Pension	114,750
Net Position	
Investment in Capital Assets	27,048
Unrestricted	7,568,836
<i>Total Net Position</i>	\$7,595,884

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Operational	\$156,896		\$183,245	\$26,349
Cooperative Purchasing	203,578		236,061	32,483
Lake Erie Educational Media Consortium	47,066		55,168	8,102
Special Programs	37,011		42,255	5,244
Property/Fleet/Liability Insurance	46,227		54,159	7,932
Professional Development	6,167		7,041	874
Electrical Energy Program	162,884		189,498	26,614
Natural Gas Program	256,470		298,288	41,818
Life Insurance	2,415		3,262	847
Prepaid Account	200,000		228,337	28,337
<i>Totals</i>	<u>\$1,118,714</u>		<u>\$1,297,314</u>	178,600
				General Revenues
				Investment Earnings
				<u>50,751</u>
				Change in Net Position
				229,351
				<i>Net Position Beginning of Year - Restated (See Note 3)</i>
				<u>7,366,533</u>
				<i>Net Position End of Year</i>
				<u><u>\$7,595,884</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council

Balance Sheet

Governmental Fund

June 30, 2015

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,163,529
Accounts Receivable	28,578
Accrued Interest Receivable	9,479
Prepaid Items	236,643
Materials and Supplies Inventory	<u>2,349</u>
<i>Total Assets</i>	<u><u>\$8,440,578</u></u>
Liabilities	
Accounts Payable	\$19,113
Accrued Wages and Benefits Payable	44,223
Intergovernmental Payable	<u>7,866</u>
<i>Total Liabilities</i>	<u>71,202</u>
Fund Balances	
Nonspendable	238,992
Assigned	23,744
Unassigned	<u>8,106,640</u>
<i>Total Fund Balances</i>	<u>8,369,376</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$8,440,578</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council

*Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2015*

Total Governmental Funds Balance		\$8,369,376
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.		27,048
Vacation benefits payable is not expected to be paid with expendable available resources and therefore not reported in the fund.		(6,298)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the fund.		(38,835)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental fund:		
Deferred Outflows - Pension	66,356	
Net Pension Liability	(707,013)	
Deferred Inflows - Pension	<u>(114,750)</u>	
Total		<u>(755,407)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$7,595,884</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2015

	General
Revenues	
Interest	\$50,751
Charges for Services	1,297,314
<i>Total Revenues</i>	1,348,065
Expenditures	
Current:	
Operational	151,759
Cooperative Purchasing	206,766
Lake Erie Educational Media Consortium	48,322
Special Programs	37,011
Property/Fleet/Liability Insurance	47,438
Professional Development	6,167
Electrical Energy Program	165,981
Natural Gas Program	261,270
Life Insurance	2,857
Prepaid Account	200,000
<i>Total Expenditures</i>	1,127,571
<i>Net Change in Fund Balance</i>	220,494
<i>Fund Balance Beginning of Year</i>	8,148,882
<i>Fund Balance End of Year</i>	\$8,369,376

See accompanying notes to the basic financial statements

Ohio Schools Council
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balance -Total Governmental Funds \$220,494

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	3,043	
Current Year Depreciation	<u>(3,779)</u>	(736)

In the statement of activities the loss on the disposal of capital assets is reported. (267)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(2,618)	
Compensated Absences	<u>(6,127)</u>	
Total		(8,745)

Contractually required contributions are reported as expenditures in the governmental fund; however, the statement of net position reports these amounts as deferred outflows. 60,339

Except for the amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (41,734)

Change in Net Position of Governmental Activities \$229,351

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,729,856
Accounts Receivable	49,796
Accrued Interest Receivable	<u>11,313</u>
<i>Total Assets</i>	<u><u>\$9,790,965</u></u>
Liabilities	
Accounts Payable	\$545,926
Undistributed Monies	<u>9,245,039</u>
<i>Total Liabilities</i>	<u><u>\$9,790,965</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Description of the Council and Reporting Entity

The Ohio Schools Council, Cuyahoga County, Ohio, (the Council) is a jointly governed organization established under Chapter 167, Revised Code, in 1986. The Council was created by school districts for the purpose of saving money through volume purchases. The Council consists of 200 school districts in 33 counties throughout Ohio. Each school district member superintendent serves as a representative of the Assembly. The Assembly is the legislative body of the Council. The Council operates under a nine-member Board of Directors (the Board). Five members of the Board are selected by the Assembly from among the member districts, and the remaining four are the representatives of the president, president-elect, past president and treasurer of the Greater Cleveland School Superintendents' Association. The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board.

Description of the Entity

The Council provides services primarily in the area of procurement. The Council negotiates pricing for its members on consumable products such as maintenance and office/classroom supplies, books, buses, and GPS equipment, and services such as computer and network repair, shipping, electronics recycling, electronic vendor audit systems (eVAS), time clock and payroll management, workers compensation, electricity, non-sufficient fund collection, outbound calling, online training, legal hotline, leadership searches, waste and recycling, property, fleet and liability insurance, employee life insurance, natural gas and energy efficiency.

Members and other not-for-profit entities contribute amounts sufficient to cover substantially all annual costs of the Council through program administration fees. Upon termination of the Council, surpluses remaining in any Council Program, after payment of all known obligations, will be distributed to the participating members in the manner provided in the Program Agreement. After payment of all known obligations of the Council, other than those incurred in connection with any program, any surplus remaining in the Council general fund shall be distributed among the members in the same proportion to the total remaining as the amount of each member's total share of operating costs incurred.

The reporting entity for the Council is comprised of all departments, boards and agencies that are not legally separate from the Council and any other organizations that would need to be included to ensure that the financial statements of the Council are not misleading.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves the budget, the issuance of debt or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Council has no component units.

The Council is associated with the Power 4 Schools Program, a jointly governed organization, as presented in Note 14.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Council have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described as follows.

Basis of Presentation

The Council's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Council that are governmental and those that are considered business-type. The Council, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Council at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Council, within certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the Council.

Fund Financial Statements During the fiscal year, the Council segregates transactions related to certain Council functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council at this more detailed level. The Council's general fund is its only governmental fund.

Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Council's funds are classified as either governmental or fiduciary.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Council's only governmental fund:

General Fund The general fund is the general operating fund. It is used to account for and report all financial resources except those required to be accounted for and reported in another fund.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Council under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Council's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Council uses an agency fund for the following types of services:

Natural Gas Program accounts for assets held by the Council as an agent for member entities involved in the Council-administered natural gas program.

Property/Fleet/Liability Insurance accounts for assets held by the Council as an agent for member entities involved in the Council-administered property/fleet/liability insurance program premiums.

Life Insurance accounts for assets held by the Council as an agent for member entities life insurance program premiums.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Council are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The general fund uses the modified accrual basis of accounting. Fiduciary funds also use the

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Council defines available as expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest and charges for services.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council passes an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information on page 47.

Cash and Cash Equivalents

Cash received by the Council is pooled in a central bank account. Monies for all funds are maintained in this account. Individual fund integrity is maintained through the Council's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2015, the Council's investments were limited to federal farm credit bank bonds, federal home loan mortgage corporation bonds, federal home loan bank bonds, and federal national mortgage bonds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption.

Capital Assets

All capital assets of the Council are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Council was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The Council maintains a capitalization threshold of five hundred dollars. The Council does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Furniture and Equipment	5 - 40 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or some other means. The Council records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Up to five unused vacation days may be carried forward and must be used by August 30. If the employee does not use the five vacation days within the prescribed time, the employee loses that time.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Council has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Council's termination policy. The Council records a liability for accumulated unused sick leave for all employees after five years of service.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, vacation benefits, compensated absences and net pension liability, that will be paid from the governmental fund are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council Board of Directors. Those committed amounts cannot be used for any other purpose unless the Council Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Assigned Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as restricted or committed. State statute authorizes the Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Council, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Council, deferred inflows of resources includes pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 10).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the Council implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

Also, for fiscal year 2015, it was determined that the prior year’s capital asset deletions and depreciation were not properly recorded leading to a restatement.

The implementation of this pronouncement and the capital asset restatement had the following effect on net position as reported June 30, 2014:

	<u>Governmental</u>
Net position June 30, 2014	\$8,136,538
Adjustments:	
Net Pension Liability	(830,751)
Deferred Outflow - Payments Subsequent to Measurement Date	56,739
Capital Asset Restatement	4,007
Restated Net Position June 30, 2014	\$7,366,533

Other than employer contributions subsequent to the measurement date, the Council made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the general fund are presented below:

Fund Balance	General
<i>Nonspendable:</i>	
Inventory	\$2,349
Prepays	236,643
Total Nonspendable	238,992
Assigned for Purchases on Order	23,744
Unassigned	8,106,640
<i>Total Fund Balance</i>	<i>\$8,369,376</i>

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 5 – Cash and Investments

Monies held by the Council are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$7,799,906 of the Council's bank balance of \$14,883,086 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the FDIC.

The Council has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Council or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of June 30, 2015, the Council had the following investments:

Investment	Fair Value	Maturity	Percentage of Total Investments
Federal Farm Credit Bank Bonds	\$499,775	Less than two years	16.66%
Federal Home Loan Mortgage Corporation Bonds	499,875	Less than three years	16.67
Federal Home Loan Bank Bonds	500,000	Less than four years	16.68
Federal Farm Credit Bank Bonds	499,200	Less than four years	16.65
Federal Home Loan Mortgage Corporation Bonds	499,625	Less than five years	16.66
Federal National Mortgage Bonds	500,000	Less than five years	16.68

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the Council's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Council's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The federal farm credit bank bonds, the federal home loan mortgage corporation bonds, the federal home loan bank bonds, and the federal national mortgage bonds carry a rating of AA+ by Standard and Poor's. The Council has no investment policy that addresses credit risk.

Concentration of Credit Risk The Council places no limit on the amount it may invest in any one issuer.

Note 6 – Receivables

Receivables at June 30, 2015 consisted of accounts and accrued interest receivable. All receivables are considered collectible in full within one year.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 7 – Employee Benefits

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from board policy and State laws. Only contracted personnel who are under a 260-day contract are eligible for vacation time.

Staff employed with a 260-day contract are entitled to the following vacation day schedule:

- Ten (10) days per year (1st through 5th year)
- Fifteen (15) days per year (6th through 10th year)
- Twenty (20) days per year (11th through 15th year)
- Twenty (25) days per year (16th through 25th year)
- Thirty (30) days per year (26th through 35 or more years)

Days in the above schedule refer to workdays. Vacation time will be pro-rated based on the employee's start date and end date in the first and last years of employment. Vacation may only be accumulated up to 60 days. All vacation time shall be approved in advance by their immediate supervisor.

Upon retirement or voluntary separation from the organization, accumulated sick leave may be paid to the employee on the following basis:

- After five years of continuous employment with the Council, the employee is entitled to receive payment at his/her per diem rate of up to one-fourth of accumulated sick leave not to exceed 15 days.
- After ten years of continuous service with the Council, the employee is entitled to receive payment of his/her per diem rate up to one-fourth of accumulated sick leave not to exceed 30 days.
- After twenty years of continuous employment with the Council, the employee is entitled to receive payment at his/her per diem rate of up to one-fourth of accumulated sick leave not to exceed 45 days.

Payment to the employee of this benefit shall eliminate all accumulated sick leave. Employees who retire or take a voluntary separation from the organization shall request severance pay within three months of leaving the Council.

Sick leave shall be accrued according to the following schedule for contract employees:

260	contract days	15	sick days per year
200	contract days	10	sick days per year
150	contract days	8	sick days per year
70	contract days	5	sick days per year

Sick leave may accumulate over time to equal the number of work days as found in each employee's annual contract.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Hourly employees accrue one hour of sick leave for every 20 hours worked up to a maximum of 900 hours of sick leave. Every eight hours of sick leave will be converted to one day of unused sick leave for severance purposes.

Insurance Benefits

The Council has elected to provide employee medical, dental and life insurance benefits through a private carrier.

For individuals employed with 260-day contracts, prior to August 1, 2005, the Council shall pay 100 percent of the cost of medical and dental insurance.

For individuals employed with a 210-day contract after August 1, 2005, the Council shall pay 80 percent of the cost of medical and dental insurance.

The Council pays up to \$818.30 per month towards the cost for the medical and dental insurance provided for the Executive Director and Assistant Executive Director. In lieu of medical and dental insurance, the Executive Director and/or Assistant Executive Director may choose to receive a stipend of \$818.30 per month for fiscal year 2015. This stipend may be taken either as reimbursement of medical expenses or deposited in an annuity. This stipend is not considered part of the salary for the positions.

The Council provides Health Savings Accounts of \$3,000 per year to employees enrolled in medical insurance.

The Council pays for life insurance in the amount of 2.5 times the employee's annual salary.

In lieu of vision insurance, the Council reimburses employees up to \$200 per year for vision related expenses, such as eye examination, glasses, and/or contacts, upon submission of receipts.

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Restated Balance 7/1/2014	Addition	Deletion	Balance 6/30/2015
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$61,555	\$3,043	\$21,243	\$43,355
Less Accumulated Depreciation	(33,504)	(3,779)	(20,976)	(16,307)
Governmental Activities Capital Assets, Net	<u>\$28,051</u>	<u>(\$736)</u>	<u>\$267</u>	<u>\$27,048</u>

Depreciation expense was charged to the operational function.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 9 – Long Term Obligations

The changes in the Council long-term obligations during fiscal year 2015 were as follows:

	Balance 7/1/2014	Additions	Deductions	Balance 6/30/2015	Amount Due in One Year
Governmental Activities					
Compensated Absences	\$32,708	\$26,693	(\$20,566)	\$38,835	\$15,098
Net Pension Liability	830,751	0	(123,738)	707,013	0
<i>Total Long-Term Liabilities</i>	<u>\$863,459</u>	<u>\$26,693</u>	<u>(\$144,304)</u>	<u>\$745,848</u>	<u>\$15,098</u>

Note 10 – Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Council’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Council’s obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Plan Description - School Employees Retirement System (SERS)

Plan Description – Council employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Council’s contractually required contribution to SERS was \$60,339 for fiscal year 2015. Of this amount \$5,561 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

	SERS
Proportionate Share of the Net Pension Liability	\$707,013
Proportion of the Net Pension Liability	0.01397000%
Pension Expense	\$41,734

At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$6,017
Council contributions subsequent to the measurement date	60,339
Total Deferred Outflows of Resources	\$66,356
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$114,750

\$60,339 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS
Fiscal Year Ending June 30:	
2016	(\$27,168)
2017	(27,168)
2018	(27,168)
2019	(27,229)
Total	(\$108,733)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Council's proportionate share of the net pension liability	\$1,008,699	\$707,013	\$453,271

Note 11 – Postemployment Benefits

Health Care Plan Description - The Council contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Council's surcharge obligation was \$0.

The Council's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$3,860, \$1,321, and \$3,538, respectively. For fiscal year 2015, 91.04 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

Note 12 – Lease Obligations

The Council had a two year lease, for the rental of space located at 6133 Rockside Road, with Rockside Square II that ended on December 31, 2013. The Council entered into a new lease agreement with the Cuyahoga County Educational Service Center for the term of November 1, 2013 through October 31, 2018. The new rental space is located at 6393 Oak Tree Boulevard, Suite 377. The terms of the lease include an annual payment of \$63,940 per year. The Council began making payments on November 1, 2013 and prepaid for the entire five year lease.

Note 13 – Risk Management

Workers' Compensation

The Council pays the Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Property and Liability

The Council is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year the Council contracted with Todd Associates, Incorporated for all insurance. The types of coverage and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Director's and Officers' Liability	\$2,000,000	\$1,000
Employment Practices Liability	2,000,000	2,500
Employer's Liability (Ohio Stop Gap)	1,000,000	None
General Liability	1,000,000	None
Commercial Property	150,000	1,000
Public Employee Blanket Bond	1,000,000	2,500
Forgery or Alteration Coverage	1,000,000	2,500
Computer Fraud	500,000	2,500
Funds Transfer Fraud	500,000	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 14 – Jointly Governed Organization

The Council participates in the Power 4 Schools Program., a jointly governed organization, which provides the economical supply of electricity to Ohio school districts to maximize savings on the purchase of electricity. Power 4 Schools is governed by a four-member Electricity Committee appointed by a board consisting of the executive directors of the Ohio Schools Council, the Buckeye Association of School Administrators (BASA), the Ohio Association of School Business Officials (OASBO), and Ohio School Boards Association (OSBA). The degree of control exercised by any participating programs is limited to its representation of the Board. The Committee members will serve two year terms. The Board oversees and manages the operation of the program. The Council contributed \$23,997 during fiscal year 2015 for the operation of Power 4 Schools. Financial information can be obtained by contacting David Varda at Ohio Association of School Business Officials, 8050 North High Street, Suite 170, Columbus, Ohio 43235.

Note 15 – Natural Gas Program

The Ohio Schools Council entered into a contract with CMS Energy Corporation, of Jackson, Michigan in 1999 to supply natural gas to participating school districts for 12 years. Under the agreement, the City of Hamilton, Ohio prepaid CMS for 44 billion cubic feet of gas to be delivered from November 1, 1999 to October 31, 2011 by issuing \$89,450,000 in bonds. This transaction locked in a twelve-year firm supply of natural gas at favorable market rates for the benefit of all participants. In August 2006 CMS Energy Corporation opted to no longer participate in the prepaid gas program and defeased the outstanding bonds. \$58,455,232 was placed on deposit with US Bank a sufficient amount of government securities to pay off all the outstanding bonds as they came due November 2011. This prepaid gas program was terminated during fiscal year 2007.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

In August 2009, all districts that participated in the prepaid natural gas program on August 24, 2006 were sent a check for “surplus” funds totaling \$2.8 million. The surplus funds were the result of the settlement with CMS Energy Management Corporation when they were released from their contract as supplier. Each district’s payment was based on actual gas consumption during the program by the district divided by the total volume of gas consumed by all the eligible participants during the term of the program.

These “surplus” funds were kept separate from the Council’s funds and all interest earned by these funds were deposited back into the account. The Council was reimbursed \$100,000 from these funds for payment of costs incurred by the Council and attributable to this program and the cost of creating a new program.

An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and was effective until September 30, 2008. Energy USA was selected as the new natural gas supplier and program manager beginning October 1, 2008 to September 30, 2010. In June 2010, the Council entered into an agreement with Compass Energy Gas Services LLC to be the natural gas supplier and program manager beginning October 1, 2010 through March 31, 2013. The contract with Compass Energy Gas Services LLC was extended for an additional three years beginning April 1, 2013 through March 31, 2016. The original members of the prepaid natural gas program continued to participate in the natural gas aggregation program with no new program agreement.

New members that joined from August 2006 to June 2008 used the program agreement and resolution to secure board approval to participate. Beginning in June 2008 a revised agreement was used by new members to secure board approval to participate. Both agreements have an indefinite term and provide the option to withdraw from the program by sending written notification by certified mail on or before September 15 of the fiscal year proceeding the fiscal year in which the participant wishes to withdraw from the program.

The Council provides participating school districts the ability to purchase natural gas at reduced rates. There are currently 151 members in the Program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing.

Note 16 - Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year was \$23,944 in the general fund.

Required Supplementary Information

Ohio Schools Council
Required Supplementary Information
Schedule of the Council's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Council's Proportion of the Net Pension Liability	0.01397000%	0.01397000%
Council's Proportionate Share of the Net Pension Liability	\$707,013	\$830,751
Council's Covered-Employee Payroll	\$409,372	\$387,305
Council's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.71%	214.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

Amounts presented as of the Council's measurement date which is the prior fiscal year end.

This page is intentionally left blank.

Ohio Schools Council
Required Supplementary Information
Schedule of Council Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$60,339	\$56,739	\$53,603	\$56,314
Contributions in relation to the contractually required contribution	<u>(60,339)</u>	<u>(56,739)</u>	<u>(53,603)</u>	<u>(56,314)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Council covered-employee payroll	\$457,807	\$409,372	\$387,305	\$418,691
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$51,359	\$60,838	\$41,705	\$60,243	\$55,367	\$51,712
(51,359)	(60,838)	(41,705)	(60,243)	(55,367)	(51,712)
0	0	0	0	0	0
\$408,584	\$449,321	\$423,831	\$613,473	\$518,418	\$488,771
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Additional Supplementary Information

Additional Supplementary Information

Ohio Schools Council

*Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest	\$27,221	\$38,872	\$48,659	\$9,787
Charges for Services	1,056,506	1,249,773	1,316,339	66,566
Miscellaneous	1,850	1,850	0	(1,850)
<i>Total Revenues</i>	<u>1,085,577</u>	<u>1,290,495</u>	<u>1,364,998</u>	<u>74,503</u>
Expenditures				
Current:				
Operational	134,448	167,019	151,439	15,580
Cooperative Purchasing	174,882	194,826	169,378	25,448
Lake Erie Educational Media Consortium	45,490	46,706	47,109	(403)
Special Programs	25,215	35,228	28,591	6,637
Property/Fleet/Liability Insurance	65,568	68,331	45,162	23,169
Professional Development	4,355	5,030	3,865	1,165
Electrical Energy Program	121,731	202,645	152,983	49,662
Natural Gas Program	255,017	292,627	253,588	39,039
Life Insurance	1,350	2,992	1,642	1,350
Prepaid Account	80,000	200,000	200,000	0
<i>Total Expenditures</i>	<u>908,056</u>	<u>1,215,404</u>	<u>1,053,757</u>	<u>161,647</u>
<i>Net Change in Fund Balance</i>	177,521	75,091	311,241	236,150
<i>Fund Balance Beginning of Year</i>	7,814,434	7,814,434	7,814,434	0
Prior Year Encumbrances Appropriated	2,150	2,150	2,150	0
<i>Fund Balance End of Year</i>	<u>\$7,994,105</u>	<u>\$7,891,675</u>	<u>\$8,127,825</u>	<u>\$236,150</u>

See accompanying notes to the supplemental information

Ohio Schools Council
Notes to the Additional Supplementary Information
For the Fiscal Year Ended June 30, 2015

Note 1 – Budgetary Basis of Accounting

Budgetary Process

The Council is no longer required under State statute to file budgetary information with the State Department of Education. However, the Council's Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board's authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the object level.

The Executive Director reviews the prior year's revenues and factors in the wages expected to be charged for the services offered in order to determine the estimated resources for the current year. The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Council Executive Director. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts of the estimated resources approved by the Board when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts of the estimated resources that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Budgetary Basis of Accounting

While the Council is reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

Ohio Schools Council
Notes to the Additional Supplementary Information
For the Fiscal Year Ended June 30, 2015

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statements on a fund type basis for the general fund.

	<u>General</u>
GAAP Basis	\$220,494
Net Adjustment for Revenue Accruals	24,888
Beginning Unrecorded Cash	3,805
Ending Unrecorded Cash	(11,760)
Net Adjustment for Expenditure Accruals	97,758
Adjustment for Encumbrances	<u>(23,944)</u>
Budget Basis	<u><u>\$311,241</u></u>

This page is intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ohio Schools Council
Cuyahoga County
6393 Oak Tree Boulevard, Suite 377
Independence, Ohio 44131

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ohio Schools Council, Cuyahoga County, (the Council) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated February 24, 2017, wherein we noted that the Council adopted Government Auditing Standard No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017



Dave Yost • Auditor of State

OHIO SCHOOLS COUNCIL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 9, 2017