



**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Ohio Schools Council
Cuyahoga County
155 Warrensville Center Road
Bedford, Ohio 44146

We have audited the accompanying financial statements of the Ohio Schools Council, Cuyahoga County, (the Council) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Council as of June 30, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001

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OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Charges for Services	\$6,315	\$9,725	\$16,040
Intergovernmental Receipts	0	55,547	55,547
Fund Raisers	0	72,439	72,439
Earnings on Investments	45,514	9,305	54,819
Administrative Fees	1,396,413	63,892	1,460,305
Program/Insurance Premiums	0	50,957	50,957
Miscellaneous	4,560	720	5,280
	<u>1,452,802</u>	<u>262,585</u>	<u>1,715,387</u>
Total Cash Receipts			
Cash Disbursements:			
Salaries and Benefits	280,361	167,472	447,833
Purchased/Contracted Services	304,742	137,561	442,303
Supplies	16,138	12,272	28,410
Capital Outlay	18,750	2,595	21,345
Refunds/Other	2,446	261,971	264,417
	<u>622,437</u>	<u>581,871</u>	<u>1,204,308</u>
Total Disbursements			
Excess of Cash Receipts Over/(Under) Cash Disbursements	830,365	(319,286)	511,079
Fund Cash Balances July 1, 2000	<u>2,326,747</u>	<u>442,304</u>	<u>2,769,051</u>
Fund Cash Balances, June 30, 2001	<u>\$3,157,112</u>	<u>\$123,018</u>	<u>\$3,280,130</u>

The notes to the financial statements are an integral part of this statement.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Earnings on Investments	\$197,334
Program/Insurance Premiums	29,691,110
Total Non-Operating Cash Receipts	29,888,444
Non-Operating Cash Disbursements:	
Purchased/Contracted Services	30,673,010
Excess Reserve/Refunds	730,311
Total Non-Operating Cash Disbursements	31,403,321
Excess of Non-Operating Cash Receipts Over/(Under) Non-Operating Cash Disbursements	(1,514,877)
Fund Cash Balance, July 1, 2000	3,002,019
Fund Cash Balance, June 30, 2001	\$1,487,142

The notes to the financial statements are an integral part of this statement.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio Schools Council, Cuyahoga County, (the Council) is a jointly governed organization consisting of approximately eighty-three school districts throughout Ohio. The Council is the primary government and constitutes the entire reporting entity. The Council operates under a seven-member Board of Directors (the Board) and provides services primarily in the areas of procurement and employee benefits. The Council, established under Chapter 167, Revised Code, in 1986, provides administrative services for death, disability, and health care benefits for employees of its participating member school districts. The Council also negotiates on behalf of its members to contract for property and casualty insurance, supplies, books, buses, natural gas; provides substance abuse education through its Project Care program; and is involved in developing, implementing, and administering an Interactive Distance Learning Network among participating member districts through its North Ohio Technology Association program.

The Board has appointed an Executive Secretary/Treasurer who is responsible for receiving contributions, paying benefits, investing available funds, and carrying out such other responsibilities as designated by the Board. The Council employees a third party administrator to process the payment of health insurance claims.

In accordance with the agreement, dated December 9, 1986, establishing the Ohio Schools Council, initial members paid \$500 each to the Council which were considered to be contributions to the operating cost of the Council. Districts joining the Council at a later date paid a \$500 initiation fee. The members 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 Council acts as a conduit for the self-insurance program for health care benefits on behalf of its member districts. This activity is accounted for in an agency fund. Operations reflect premium income for services rendered and charges for estimated claims losses incurred by the member districts as reported by the third party administrator.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Repurchase agreements are valued at cost.

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Funds:

Project Care Fund: This fund is used to account for project activity with member districts to develop and implement Student Assistance Programs to address violence, alcohol, and other drug problems in schools and communities.

North Ohio Technology Association Fund (NOTA): This fund is used to account for activities associated with Council involvement in developing, implementing, and administering an Interactive Distance Learning Network among participating member districts.

Fiduciary Fund (Agency Funds)

Funds for which the Council is acting in an agency capacity are classified as agency funds. The Council had the following significant agency funds:

Prepaid Natural Gas Program Fund: This fund is used to account for assets, held by the Council, as an agent for member districts involved in the Council administered prepaid natural gas program which are remitted to a trust fund which services the debt issued by the City of Hamilton, Ohio for the pre-purchase of natural gas for the program.

Gas 2 Fund: This fund is used to account for assets, held by the Council, as an agent for member districts involved in the Council administered prepaid natural gas program which are used for all purchased/contract service costs of the program.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council does pass an annual budget in the month of May preceding the fiscal year. Appropriation amendments and transfers are approved by the Board of Directors during the year as required.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Council.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2001</u>
Demand deposits	\$ 141,081
Petty Cash	100
Total deposits	<u>141,181</u>
Repurchase Agreements	2,864,000
STAR Ohio	<u>1,762,091</u>
Total investments	<u>4,626,091</u>
Total deposits and investments	<u><u>\$ 4,767,272</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in Repurchase Agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Council's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. RETIREMENT SYSTEMS

The School Employees Retirement System of Ohio (SERS) is a state operated, cost sharing, multiple employer public employee retirement system. All employees of the Ohio Schools Council belong to SERS. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Employees contribute 9.0% of gross salary. The employer matching share is 14.0% of gross salary with 4.2% allocated to pension benefits and 9.8% allocated to post employment benefits. The pension contribution requirement for the Council for the year ended June 30, 2001 was \$82,447 which consists of \$31,842 from employees and \$50,605 from the employer.

4. POST EMPLOYMENT BENEFITS

The School Employees Retirement System (SERS) provides comprehensive health care benefits to eligible retirees and their dependents. Eligibility requirements, benefit provisions, and obligations to contribute are established by the system based on authority granted by State statute.

The portion of SERS employer contribution allocated to health care benefits as of June 30, 2001 was 9.8% of covered payroll. The Council's total contribution for health care benefits in fiscal 2001 was \$35,424.

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- General liability coverage
- Commercial crime
- Treasurer's Bond
- Property coverage

The Council also provides health insurance, dental, vision, prescription drug coverage, and life insurance to its employees through a private carrier. The Council's liability for health care is limited to the premiums paid.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Ohio Schools Council
Cuyahoga County
155 Warrensville Center Road
Bedford, Ohio 44146

We have audited the financial statements of the Ohio Schools Council, Cuyahoga County, Ohio (the Council) as of and for the year ended June 30, 2001, and have issued our report thereon dated August 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated August 21, 2001.

Ohio Schools Council
Cuyahoga County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
SEPTEMBER 27, 2001**