



**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY

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OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Ohio Schools Council
Cuyahoga County
6133 Rockside Road, Suite 10
Independence, Ohio 44131

We have audited the accompanying financial statements of the Ohio Schools Council, Cuyahoga County, Ohio, (the Council) as of and for the year ended June 30, 2002. 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. As 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 Ohio Schools Council as of June 30, 2002, 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 October 25, 2002 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, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

October 25, 2002

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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, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Charges for Services	\$5,495	\$4,309	\$9,804
Intergovernmental	0	59,689	59,689
Fund Raisers	0	3,328	3,328
Earnings on Investments	24,041	2,094	26,135
Administrative Fees	706,273	31,369	737,642
Program/Insurance Premiums	59,278	0	59,278
Miscellaneous	6,842	8	6,850
Total Cash Receipts	<u>801,929</u>	<u>100,797</u>	<u>902,726</u>
Cash Disbursements:			
Salaries and Benefits	364,980	127,968	492,948
Purchased/Contracted Services	379,443	19,701	399,144
Supplies	36,681	394	37,075
Capital Outlay	6,594	1,810	8,404
Refunds/Other	13,775	22,421	36,196
Total Disbursements	<u>801,473</u>	<u>172,294</u>	<u>973,767</u>
Total Receipts Over/(Under) Disbursements	<u>456</u>	<u>(71,497)</u>	<u>(71,041)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	77,573	0	77,573
Refund of Prior Year Expenses	97,663	0	97,663
Total Other Financing Receipts/(Disbursements)	<u>175,236</u>	<u>0</u>	<u>175,236</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	175,692	(71,497)	104,195
Fund Cash Balances, July 1, 2001	<u>3,157,112</u>	<u>123,018</u>	<u>3,280,130</u>
Fund Cash Balances, June 30, 2002	<u>\$3,332,804</u>	<u>\$51,521</u>	<u>\$3,384,325</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 BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Earnings on Investments	281,165
Program/Insurance Premiums	28,224,593
Miscellaneous	615,541
Total Non-Operating Cash Receipts	29,121,299
Non-Operating Cash Disbursements:	
Purchased/Contracted Services	19,507,389
Refunds/Other	810,053
Total Non-Operating Disbursements	20,317,442
Excess of Non-Operating Cash Receipts Over/(under) Non-Operating Cash Disbursements	8,803,857
Other Financing Disbursements:	
Transfers-Out	(77,573)
Total Other Financing Disbursements	(77,573)
Excess of Non-Operating Cash Receipts and Other Financing Disbursements	8,726,284
Fund Cash Balances, July 1, 2001	1,487,142
Fund Cash Balances, June 30, 2002	\$10,213,426

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, 2002**

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 ninety-one 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 life insurance benefits. The Council, established under Chapter 167, Revised Code, in 1986, provides administrative services for life insurance 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, electrical energy and provides substance abuse education through its Project Care program.

The Board has appointed an Executive Secretary/Treasurer who is responsible for receiving contributions, investing available funds, and carrying out such other responsibilities as designated by the Board.

In accordance with the agreement, dated December 9, 1986, establishing the Ohio Schools Council, initial members paid \$500 each to the Council which was 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'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.

C. Cash and Investments

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

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

1. 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.

2. 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 Fund:

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.

3. Fiduciary Funds (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.

Property Insurance Fund: This fund is used to account for assets, held by the Council, as an agent for member districts involved in the Council administered property insurance purchasing program.

Life Insurance Fund: This fund is used to account for assets, held by the Council, as an agent for member districts life insurance premiums.

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.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2002</u>
Demand deposits	\$149,452
Petty Cash	100
Total deposits	<u>149,552</u>
STAR Ohio	13,448,199
Total deposits and investments	<u><u>13,597,751</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 STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

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 their gross salaries. 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, 2002 was \$88,614 which consists of \$34,556 from employees and \$54,058 from the employer.

4. POST EMPLOYMENT BENEFITS

The School Employees Retirement Systems (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 stature.

The portion of SERS employer contribution allocated to health care benefits as of June 30, 2002 was 9.8% of covered payroll. The Council's total contribution for health care benefits in fiscal 2002 was \$37,840.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Property and general liability;
- Director & Officer Liability; and
- Trustee & Fiduciary liability.

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
6133 Rockside Road, Suite 10
Independence, Ohio 44131

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, 2002, and have issued our report thereon dated October 25, 2002. We conducted our audit in accordance with auditing standards generally accepted by 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 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the Council in a separate letter dated October 25, 2002.

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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated October 25, 2002.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

October 25, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
NOVEMBER 12, 2002**