



**Auditor of State  
Betty Montgomery**



**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
ASHTABULA COUNTY**

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## **INDEPENDENT ACCOUNTANTS' REPORT**

Ashtabula County Schools Council of Governments  
Ashtabula County  
1565 State Route 167  
P.O. Box 186  
Jefferson, Ohio 44047

To the Governing Board:

We have audited the accompanying financial statements of Ashtabula County Schools Council of Governments (the Council) as of and for the years ended June 30, 2002 and 2001. 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 discussed 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 cash balances of the Ashtabula County Schools Council of Governments as of June 30, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2003 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 management, the Governing Board 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty D. Montgomery**  
Auditor of State

January 24, 2003

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
AHSTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>2002</u>
<b>Cash Receipts:</b>	
Receipts from Member Districts	\$9,435,344
Interest	57,801
Stop Loss Insurance Reimbursements	240,460
Voids/Refuds	133,908
Subrogation Refund	929
Miscellaneous	<u>10</u>
Total Cash Receipts	<u>9,868,452</u>
<b>Cash Disbursements:</b>	
Payments to Third Party Administrators	10,212,269
Purchased Services	21,915
Insurance	350
General Government	-
Miscellaneous	<u>141</u>
Total Cash Disbursements	<u>10,234,675</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(366,223)
Cash Balance, January 1	<u>1,891,340</u>
<b>Cash Balance, December 31</b>	<b><u><u>\$1,525,117</u></u></b>

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

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
AHSTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>2001</u>
<b>Cash Receipts:</b>	
Receipts from Member Districts	\$8,695,276
Interest	148,190
Stop Loss Insurance Reimbursements	<u>125,012</u>
Total Cash Receipts	<u>8,968,478</u>
<b>Cash Disbursements:</b>	
Payments to Third Party Administrators	8,605,041
Purchased Services	16,125
Insurance	350
General Government	8,356
Miscellaneous	<u>10</u>
Total Cash Disbursements	<u>8,629,882</u>
Total Cash Receipts Over/(Under) Cash Disbursements	338,596
Cash Balance, January 1	<u>1,552,744</u>
<b>Cash Balance, December 31</b>	<b><u><u>\$1,891,340</u></u></b>

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

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Ashtabula County Schools Council of Governments, Ashtabula County, (the Council) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The Council is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council by-laws.

The Council is directed by a Governing Board, consisting of the Superintendents or designee of the participating school districts. As of June 30, 2002 there were seven participating members of the Council.

Members pay monthly premiums (program costs) that are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Claims are paid for all participants regardless of claims flows, resulting in a transfer of all risk. The Board of Directors annually estimate and set the amount of funds necessary in order to have funds available to pay all claims which could be made under the Health Benefits Plan by covered persons which would not be paid by the aggregate and specific stop-loss insurance coverage, and said amounts will be placed in a reserve fund.

The Council's management believes these financial statements present all activities for which the Council's are 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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. Fund Accounting**

The Council maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council maintains a general fund to account for its expendable financial resources and related current expenses.

**E. Budgetary Process**

The Council is not required to follow the budgetary process but had decided to adopt a formal budget annually as part of their by-laws.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function level of control. The Board annually approves appropriation measures and subsequent amendments.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of July 1.

**3. Encumbrances**

The Council reserves (encumbers) appropriations when commitments are made.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**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:

	2002	2001
Demand deposits	\$1,525,117	\$391,340
Certificates of deposit	-	1,500,000
	\$1,525,117	\$1,891,340
Total deposits and investments		

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2002 and 2001 were as follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,868,452	\$9,868,452	\$0

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,234,675	\$10,234,675	\$0

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,970,183	\$8,968,478	(\$1,705)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,629,882	\$8,629,882	\$0

**7. RISK MANAGEMENT**

The Council contracts with a third party administrator, Professional Risk Management from July 1, 2000 through May 31, 2001, and Anthem Benefit Administrators, Inc. from June 1, 2001 through June 30, 2002, to process and pay health benefit claims incurred by its members. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums, and administrative charges. The Fiscal Officer approves monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Council members.

Member school districts whose claims exceed premiums paid, will carry a negative fund balance for which interest is assessed on. When the balance is no longer negative, interest will no longer be assessed. As of June 30, 2002, there were 3 member school districts who were carrying a negative fund balance.

The pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of September 30, which is the date of the actuarial report:

	2002	2001
Cash and Investments	\$1,424,757	\$1,980,366
Actuarially Liabilities	1,393,036	1,152,667

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

Ashtabula County Schools Council of Governments  
Ashtabula County  
1565 State Route 167  
P.O. Box 186  
Jefferson, Ohio 44047

To the Council Members:

We have audited the accompanying financial statements of Ashtabula County Schools Council of Governments (the Council) as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated January 24, 2003. 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 one matter involving the internal control over financial reporting that does not require inclusion in this report, which we have reported to management of the Council in a separate letter dated January 24, 2003.

Ashtabula County Schools Council of Governments  
Ashtabula County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty D. Montgomery**  
Auditor of State

January 24, 2003



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Betty Montgomery**

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**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENT**

**ASHTABULA 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  
FEBRUARY 27, 2003**