

Stark County Schools Council of Governments

Stark County

Regular Audit

July 1, 2005 through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Directors
Stark County Schools Council of Governments
2100 38th Street NW
Canton, Ohio 44709

We have reviewed the *Independent Auditor's Report* of the Stark County Schools Council of Governments, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark County Schools Council of Governments is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2007

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**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2006**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Stark County School Council of Government
Stark County Ohio
2100 38th Street NW
Canton, Ohio 44709

To the Board of Directors

We have audited the accompanying financial statements of the business type activities of the Stark County School Council Of Government Canton, Ohio, (the Council) as of and for the years ended June 30, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 more fully in Note 1, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities of the Council as of June 30, 2006 and the respective changes in cash basis financial position in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Stark County School Council of Government
Independent Auditor's Report
Page 2

The Management Discussion and Analysis at page 3 - 5 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standard Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored rectangular background.

Balestra, Harr & Scherer, CPAs, Inc.
January 5, 2007

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The discussion and analysis of the Stark County Schools Council of Governments (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2006, within the limitations of the Council's cash basis of accounting. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the cash basis financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net cash assets were \$22,948,211 at June 30, 2006.
- The Council had cash operating receipts of \$105,353,354 and cash operating disbursements of \$96,851,449 for fiscal year 2006. The Council also received \$607,945 in interest receipts during the year. Total change in net cash assets for fiscal year 2006 was an increase of \$9,109,850.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Council's cash basis of accounting. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *Statement of Net Assets – Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets* provide information about the activities of the Council.

Reporting the Council's Financial Activities

Statement of Net Assets and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets

These documents look at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Cash Assets – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets answers this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Council's net cash assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Council as a whole, the cash basis financial position of the Council has improved or diminished.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as claims payable) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The Statement of Net Assets – Cash Basis can be found on page 6 of this report and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets can be found on page 7 of this report.

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The table below provides a summary of the Council's cash net assets at June 30, 2006 and June 30, 2005.

Net Cash Assets

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash and investments with fiscal agent	<u>22,948,211</u>	<u>13,838,361</u>
Total assets	<u>22,948,211</u>	<u>13,838,361</u>
<u>Net Cash Assets</u>		
Unrestricted	<u>22,948,211</u>	<u>13,838,361</u>
Total net cash assets	<u><u>\$ 22,948,211</u></u>	<u><u>\$ 13,838,361</u></u>

Net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the Council's net cash assets totaled \$22,948,211, and increase of \$9,109,850 over fiscal year 2005.

The table below shows the changes in net cash assets for fiscal years 2006 and 2005.

Change in Net Cash Assets

	<u>2006</u>	<u>2005</u>	Increase (Decrease)	Percentage Change
<u>Operating cash receipts</u>				
Health benefit premium deposits	\$ 101,811,849	\$ 82,548,526	\$ 19,263,323	23.34%
COBRA deposits	316,739	338,816	(22,077)	-6.52%
Flex Pro plan deposits	1,591,187	1,345,754	245,433	18.24%
Stop loss reimbursements	1,628,861	1,665,231	(36,370)	-2.18%
Other	<u>4,718</u>	<u>3,931</u>	<u>787</u>	20.02%
Total operating cash receipts	<u>105,353,354</u>	<u>85,902,258</u>	<u>19,451,096</u>	22.64%
<u>Operating cash disbursements:</u>				
Medical claims	89,222,963	75,897,243	13,325,720	17.56%
Life insurance	1,310,108	1,344,017	(33,909)	-2.52%
Purchased services	6,267,645	6,796,278	(528,633)	-7.78%
Supplies	1,307	1,645	(338)	-20.55%
Other	<u>49,426</u>	<u>36,957</u>	<u>12,469</u>	33.74%
Total operating cash disbursements	<u>96,851,449</u>	<u>84,076,140</u>	<u>12,775,309</u>	15.19%
<u>Non-operating cash receipts:</u>				
Interest	<u>607,945</u>	<u>431,079</u>	<u>176,866</u>	41.03%
Total non-operating cash receipts	<u>607,945</u>	<u>431,079</u>	<u>176,866</u>	41.03%
Change in net cash assets	<u><u>\$ 9,109,850</u></u>	<u><u>\$ 2,257,197</u></u>	<u><u>\$ 6,852,653</u></u>	303.59%

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The increase in operating cash receipts increased primarily due to three reasons. First, outstanding premiums from fiscal 2005 were collected in fiscal 2006. The Council had approximately \$7.0 million in outstanding premiums due at June 30, 2005. Second, the Council had an increase in members. Third, the Council authorized an increase in funding for fiscal 2006 based on previous year claims and insurance trends.

Operating cash disbursements increased due to increased membership during fiscal 2006.

Current Financial Related Activities

The Council is a shared risk pool, formed to carry out a cooperative program for the provision and administration of health care benefits for members. The Council is constantly assessing insurance needs of its members and acting to provide these services cost-effectively.

The Council receives an actuarial opinion statement annually assessing the claims liability of the Council.

Contacting the Council's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Clifford Pocock, Treasurer, Stark County ESC, 2100 38th Street NW, Canton, Ohio 44709-2300 or by calling (330) 492-8136.

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006

Assets:	
Cash and investments with fiscal agent.	<u>\$ 22,948,211</u>
Total assets	<u>\$ 22,948,211</u>
Net Cash Assets:	
Unrestricted.	<u>\$ 22,948,211</u>
Total net cash assets	<u><u>\$ 22,948,211</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN NET CASH ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Operating cash receipts:	
Health benefit premium deposits.	\$ 101,811,849
COBRA deposits.	316,739
Flex Pro plan deposits.	1,591,187
Stop loss reimbursements.	1,628,861
Other.	4,718
Total operating cash receipts.	<u>105,353,354</u>
Operating cash disbursements:	
Medical claims.	89,222,963
Life insurance.	1,310,108
Purchased services	6,267,645
Supplies	1,307
Other	49,426
Total operating cash disbursements	<u>96,851,449</u>
Excess of operating cash receipts over operating cash disbursements.	<u>8,501,905</u>
Non-operating cash receipts:	
Interest.	607,945
Total non-operating cash receipts.	<u>607,945</u>
Change in net cash assets	9,109,850
Net cash assets at beginning of year	<u>13,838,361</u>
Net cash assets at end of year	<u>\$ 22,948,211</u>
Reserve for encumbrances	<u>\$ 68,934</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – DESCRIPTION OF THE COUNCIL

Stark County Schools Council of Governments, Stark County, Ohio (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 provision and administration of health care benefits for member employees and to promote other cooperative programs (such as the group rating for Workers’ Compensation) which may be approved in accordance with the Council by-laws.

The Council Assembly is the legislative decision-making body of the Council and is comprised of the superintendent or executive officer from each member. As of June 30, 2006, there were 49 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. Members with less than 3 years experience are required to maintain a “reserve balance” equal to 30% of their prior fiscal year claims.

The Board of Directors is the advisory body of the Council and is comprised of five individuals, including the Superintendent of Stark County Educational Service Center who serves as the Chairman. Among other responsibilities, the Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations to the Council Assembly related to member program costs and adjustments.

The Council Agreement can be terminated by two-thirds vote of the participating members. Upon such termination, the net reserve balance will be transferred to the members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the financial statements for the enterprise fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Council does not apply FASB statements issued after November 30, 1989, to its enterprise fund. Following are the more significant of the Council’s accounting policies.

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. Basis of Presentation

The Council's basic financial statements consist of a statement of net assets - cash basis and statement of cash receipts, cash disbursements and changes in net cash assets.

B. Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. Under the cash basis of accounting, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Operating receipts are those receipts that are generated directly from the primary activity of the Council. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Council. All receipts and disbursements not meeting this definition are reported as non-operating.

C. 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 the government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an enterprise fund to account for its operations. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or change in net cash assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Cash and Investments with Fiscal Agent

The Stark County Educational Service Center (the "Service Center") serves as fiscal agent for the Council. The Service Center maintains the Council financial activity on the Service Center's books under a specific fund designed for Council activity. The Treasurer of the Service Center, acting as custodian of Council funds, invests monies on behalf of the Council. Investments maintained by the Service Center as fiscal agent includes certificates of deposit, a money market sweep and federal agency securities. These investments are valued at cost.

An analysis of the Council's cash and investments with its fiscal agent at fiscal year-end is provided in Note 3.

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

The Council is not required to follow the budgetary process, but has decided to adopt a formal budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Council reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2006 budgetary activity appears in Note 4.

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT

The Service Center serves as the fiscal agent for the Council. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2006 was as follows:

	<u>Maturity (years)</u>	<u>Carrying Value</u>
Demand deposits	-	\$ 7,913,194
Money Market Sweep	Less than 1	3,275,000
Federal National Mortgage Association	1 to 5	8,760,000
Federal Home Loan Bank	1 to 5	<u>3,000,017</u>
Total Deposits and Investments		<u>\$ 22,948,211</u>

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT – (Continued)

Demand deposits are exposed to custodial risk or were covered by Federal Deposit Insurance Corporation. Custodial credit risk is the risk that, in the event of bank failure, the Service Center’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Service Center.

Federal National Mortgage Association and Federal Home Loan Bank investments are held in book-entry form by the Federal Reserve, in the name of the Service Center’s financial institution. The financial institution maintains records identifying the Service Center as the owner of these securities. Disclosures regarding investments of the Service Center are as follows:

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Service Center’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Service Center’s federal agency securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2006 is as follows:

<u>2006 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	<u>\$ 103,775,000</u>	<u>\$ 105,961,299</u>	<u>\$ 2,186,299</u>

<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Enterprise	<u>\$ 103,894,712</u>	<u>\$ 96,851,449</u>	<u>\$ 7,043,263</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

In consideration for its services, the Service Center, as fiscal agent, may receive a fee from the Council in such an amount as approved by the Council Assembly. During the fiscal year ended June 30, 2006, \$210,770 of such fees was paid to the Service Center by the Council.

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - RISK MANAGEMENT

The Council contracts with two third party administrators, Medical Mutual of Ohio and Aultcare, 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 premium and administrative charges. During fiscal year 2006, the Council purchased specific stop-loss coverage of \$250,000 per individual and a maximum aggregate stop-loss coverage liability of \$88,876,056. The Council Treasurer makes monthly payments to the third party administrators for stop-loss premiums and administrative charges incurred on behalf of Council members. Any rate increases/decreases from the stop-loss insurance carrier are passed on to Council participants through their individual participation rates negotiated with the stop-loss insurance carrier. All new members of the Council are required to maintain a 30% reserve balance within three years of joining.

The Council reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities at June 30:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 22,630,345	\$ 13,544,585	\$ 11,306,366
Actuarial liabilities	9,510,000	7,554,000	6,841,000

The Council also contracts with Caremark, Inc. (Caremark) for prescription drug services. The Council pays Caremark for administrative services. Caremark then forwards all prescription drug claim activity to the respective benefit plan provider who, in turn, credits individual policies for claims processed.

The Council also contracts with Comp Management, Inc. to provide workers' compensation benefits at a reduced pool rate for its members. The experience rating of each participating member is calculated as one experience rate and applied to all participants in the program.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Stark County Schools Council of Governments
Stark County, Ohio
2100 38th Street NW
Canton, OH 44709

We have audited the financial statements of the Stark County Schools Council (the Council), as of and for the year ended June 30, 2006 and have issued our report thereon dated January 5, 2007. 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.

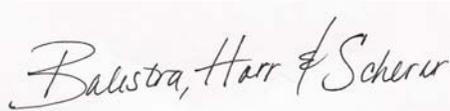
Internal Control Over Financial Reporting

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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*.

This report is intended solely 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.



Balestra, Harr & Scherer, CPAs, Inc.
January 5, 2007



Mary Taylor, CPA
Auditor of State

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

STARK 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 22, 2007**