

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors

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, 2007, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions 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 reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the remaining fund information of the Ohio Schools Council, Cuyahoga County, Ohio, as of June 30, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 4, 2008

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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, 2007. 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 2007 are as follows:

- Net assets of governmental activities increased \$1,105,599, which represents a 24.19 percent increase over 2006. The Council has no business-type activities.
- For governmental activities, general revenues accounted for \$450,762 in revenue or 19.49 percent of all revenues. Program specific revenues in the form of charges for services accounted for \$1.9 million or 80.51 percent of total revenues.
- The Council had \$1,206,958 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services.
- The general fund, the Council's only operating fund, had \$2,312,557 in revenues and \$1,201,643 in expenditures. The general fund's balance increased \$1,110,914 to \$5,658,450.

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 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 assets* presents information on all of the Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 12-13 of this report.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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.

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 14-17 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 assets and changes in net assets. 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 City'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 funds are agency funds.

The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the 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 can be found on pages 19-30 of this report.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets exceeded liabilities by \$5.7 million at the close of the most recent fiscal year.

Ninety-nine percent of the Council's net assets (\$5.6 million) reflect its unrestricted net assets. The Council uses these unrestricted net assets to meet ongoing obligations to creditors. Only one percent of the net assets (\$39,334) are 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.

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

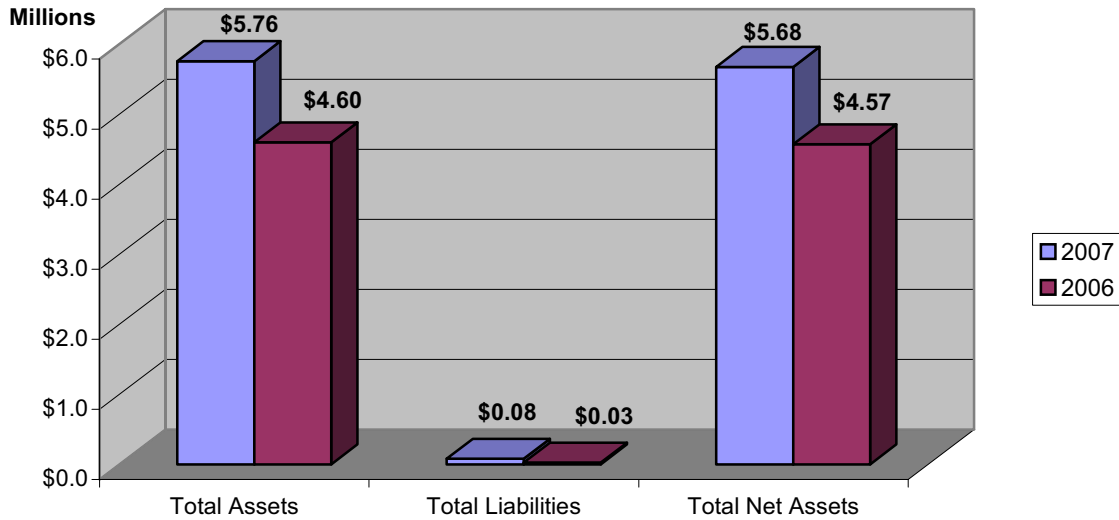
The table below shows net assets for fiscal year 2007 compared to the fiscal year 2006.

Table 1 - Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$5,718,649	\$4,554,838	\$1,163,811
Capital Assets	39,334	42,249	(2,915)
<i>Total Assets</i>	<u>5,757,983</u>	<u>4,597,087</u>	<u>1,160,896</u>
Liabilities			
Current Liabilities	61,659	10,062	51,597
Long-term Liabilities	19,873	16,173	3,700
<i>Total Liabilities</i>	<u>81,532</u>	<u>26,235</u>	<u>55,297</u>
Net Assets			
Invested in Capital Assets, Net of Debt	39,334	42,249	(2,915)
Unrestricted	5,637,117	4,528,603	1,108,514
<i>Total Net Assets</i>	<u><u>\$5,676,451</u></u>	<u><u>\$4,570,852</u></u>	<u><u>\$1,105,599</u></u>

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Activities - Net Assets (In Million)



As noted above, the Council's net assets increased by \$1,105,599. This increase is due to an increase in cash as the result of revenues growing at a larger rate than expenses.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Activities

The table below shows changes in net assets for fiscal year 2007 compared to the prior fiscal year.

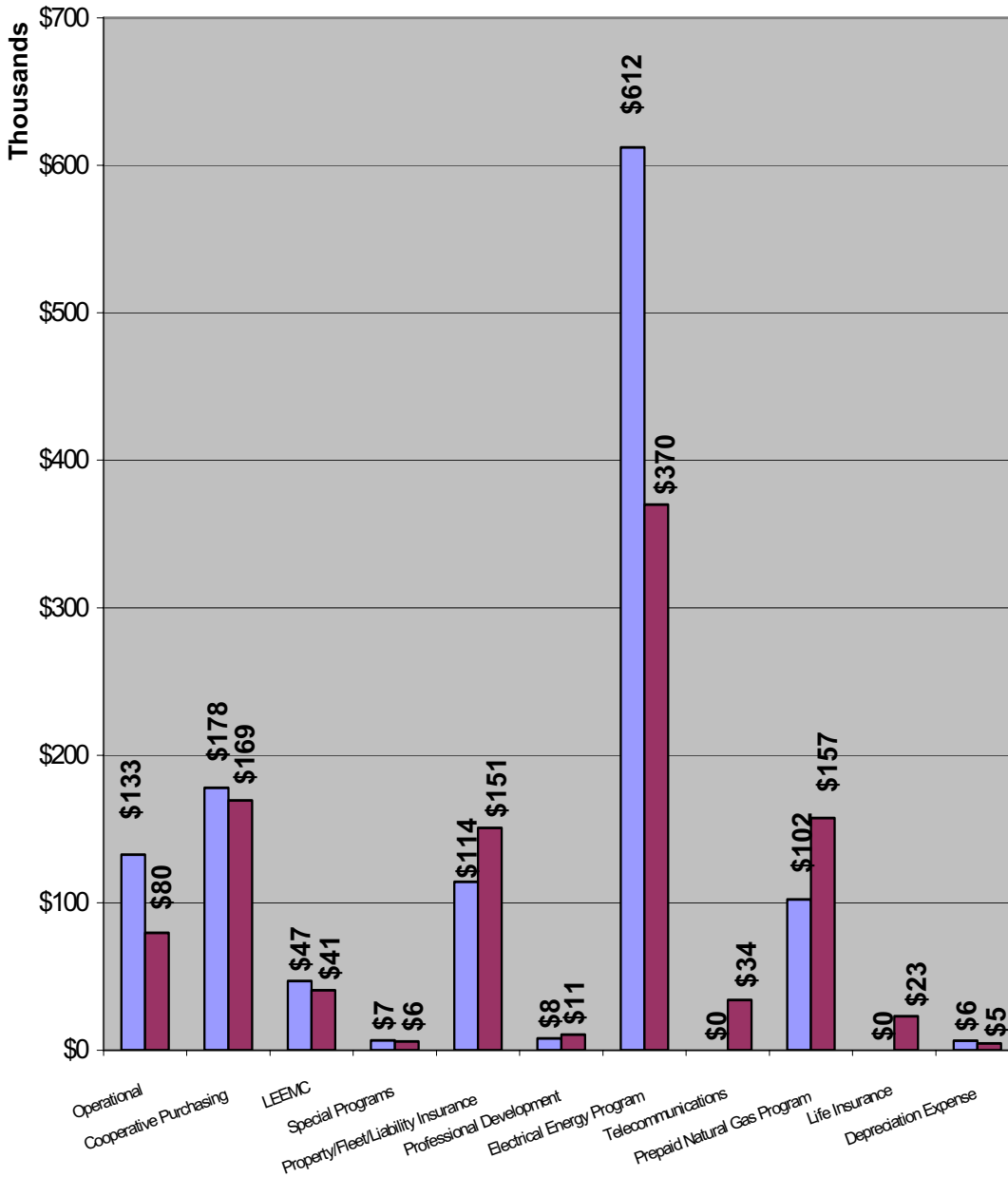
Table 2 - Changes in Net Assets

	Governmental Activities		
	2007	2006	Change
Revenue:			
Program Revenues:			
Charges for Services and Sales	\$1,861,795	\$1,603,122	\$258,673
General Revenues:			
Investment Earnings	311,184	143,332	167,852
Miscellaneous	139,578	951	138,627
Total General Revenues	<u>450,762</u>	<u>144,283</u>	<u>306,479</u>
<i>Total Revenues</i>	<u>2,312,557</u>	<u>1,747,405</u>	<u>565,152</u>
Expenses:			
Operational	138,979	79,566	52,942
Cooperative Purchasing	177,800	169,399	8,401
LEEMC	46,790	40,651	6,139
Special Programs	6,585	5,997	588
Insurance Programs:			
Property/Fleet/Liability Insurance	114,252	150,822	(36,570)
Life Insurance	16	22,889	(22,873)
Professional Development	8,126	10,569	(2,443)
Telecommunications	0	34,047	(34,047)
Utility Programs:			
Electrical Energy	612,237	946,694	(334,457)
Prepaid/Natural Gas Program	102,173	157,384	(55,211)
<i>Total Expenses</i>	<u>1,206,958</u>	<u>1,618,018</u>	<u>(417,531)</u>
<i>Increase in Net Assets</i>	1,105,599	129,387	982,683
<i>Net Assets Beginning of Year</i>	<u>4,570,852</u>	<u>3,869,350</u>	<u>701,502</u>
<i>Net Assets End of Year</i>	<u>\$5,676,451</u>	<u>\$3,998,737</u>	<u>1,684,185</u>

The chart above reflects an increase in program revenue for Charges for Services and Sales and in Investment Earnings Revenue for fiscal year 2007 compared to the prior fiscal year. Charges for Services for fiscal year 2007 included approximately \$185,000 in fees that were charged to the Property, Fleet and Liability Insurance Program that were not charged in 2006. Additionally, the Property, Fleet and Liability Insurance agents returned \$346,000 in commissions to the Council per an agreement. Due to the collection of these commissions the Council waived Property, Fleet and Liability Insurance Program fees for fiscal year 2008. Investment earnings were substantially higher in fiscal year 2007 than 2006. The \$242,253 increase in expenses for the Electrical Energy Program are due to the Program paying off the Cooperative Purchasing Program loan for eschoolmall.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

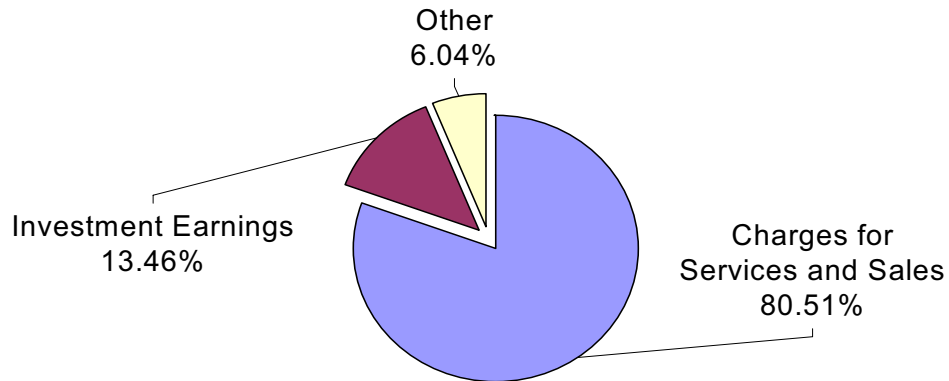
Program Expenses - Governmental Activities



For each program, the column on the left represents 2007 expenses and the column on the right represents 2006 expenses.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Revenues by Sources - Governmental Activities



Financial Analysis of the Governmental Fund

Governmental Fund. Information about the Council's governmental fund starts on page 14. This fund is accounted for using 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 \$2.3 million and expenditures of \$1.2 million. The total general fund balance increased by \$1,110,914 to \$5.6 million for fiscal year 2007. All of the fund balance is unreserved. As a measure of the general fund's liquidity, it may be useful to compare both expenditures to unreserved fund balance. General fund expenditures represent 21.24 percent of total unreserved fund balance.

Capital Assets

At the end of fiscal year 2007, the Council had \$39,334 invested in furniture and equipment all used for governmental activities.

Table 3 - Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	
	2007	2006
Furniture and Equipment	\$39,334	\$42,249

The Council continued its ongoing commitment to maintaining and improving its capital assets. For more information on the Council's capital assets, see Note 6.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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. Membership in the Council has grown to 108 districts. Participation in Council programs has also been slightly growing over the past several years.

The mission of the Council is to provide 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. Long-term contracts have been negotiated for the purchase of natural gas and electricity, which assures a significant revenue stream for the Council through 2008 for the Electric Program and through 2011 for the Natural Gas Program. The Council receives fees from districts for their participation in a property, fleet and general liability insurance program, cooperative purchasing program, school bus purchasing program, and Lake Erie Educational Media Consortium (LEEMC). Changes in the number of districts participating in any of these programs will affect the total revenue of the Council.

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 David Cottrell, Executive Director, at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Ohio Schools Council

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,673,119
Investments	0
Accounts Receivable	27,615
Prepaid Items	16,542
Materials and Supplies Inventory	1,373
Depreciable Capital Assets	<u>39,334</u>
<i>Total Assets</i>	<u>5,757,983</u>
Liabilities	
Accounts Payable	56,366
Intergovernmental Payable	3,833
Vacation Benefits Payable	1,460
Long-Term Liabilities:	
Due Within One Year	7,884
Due in More Than One Year	<u>11,989</u>
<i>Total Liabilities</i>	<u>81,532</u>
Net Assets	
Invested in Capital Assets	39,334
Unrestricted	<u>5,637,117</u>
<i>Total Net Assets</i>	<u><u>\$5,676,451</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities			
Operational	\$138,979	\$210,394	\$71,415
Cooperative Purchasing	177,800	274,930	97,130
LEEMC	46,790	72,351	25,561
Special Programs	6,585	10,181	3,596
Insurance Programs:			
Property/Fleet/Liability Insurance	114,252	176,666	62,414
Life Insurance	16	25	9
Professional Development	8,126	12,565	4,439
Utility Programs:			
Electrical Energy	612,237	946,694	334,457
Prepaid/Natural Gas	102,173	157,989	55,816
<i>Total Primary Government</i>	<u>\$1,206,958</u>	<u>\$1,861,795</u>	<u>654,837</u>
General Revenues			
Investment Earnings			311,184
Miscellaneous			<u>139,578</u>
<i>Total General Revenues</i>			<u>450,762</u>
Change in Net Assets			1,105,599
<i>Net Assets Beginning of Year</i>			<u>4,570,852</u>
<i>Net Assets End of Year</i>			<u><u>\$5,676,451</u></u>

See accompanying notes to the basic financial statements

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Ohio Schools Council

Balance Sheet

Governmental Fund

June 30, 2007

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,673,119
Accounts Receivable	27,615
Prepaid Items	16,542
Materials and Supplies Inventory	<u>1,373</u>
<i>Total Assets</i>	<u><u>\$5,718,649</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$56,366
Intergovernmental Payable	<u>3,833</u>
<i>Total Liabilities</i>	<u>60,199</u>
Fund Balance	
Unreserved, Undesignated Reported in General Fund	<u>5,658,450</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$5,718,649</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
*Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Funds Balance	\$5,658,450
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,334
Vacation benefits payable is not expected to be paid with expendable available resources and therefore not reported in the funds.	(1,460)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(19,873)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,676,451</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, 2007

	General
Revenues	
Interest	\$311,184
Charges for Services	1,847,069
Tuition and Fees	14,726
Miscellaneous	139,578
	2,312,557
<i>Total Revenues</i>	<i>2,312,557</i>
Expenditures	
Current:	
Operational	133,664
Cooperative Purchasing	177,800
LEEMC	46,790
Special Programs	6,585
Insurance Programs:	
Property/Fleet/Liability Insurance	114,252
Life Insurance	16
Professional Development	8,126
Utility Programs:	
Electrical Energy Program	612,237
Prepaid/Natural Gas Program	102,173
	1,201,643
<i>Total Expenditures</i>	<i>1,201,643</i>
<i>Net Change in Fund Balance</i>	<i>1,110,914</i>
<i>Fund Balance Beginning of Year</i>	<i>4,547,536</i>
<i>Fund Balance End of Year</i>	<i>\$5,658,450</i>

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 Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balance -Total Governmental Funds	\$1,110,914
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*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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	3,956	
Current Year Depreciation	(6,471)	
Total		(2,515)

In the statement of activities the loss on the disposal of capital assets is reported.	(400)
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Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Vacation Benefits Payable	1,300	
Compensated Absences	(3,700)	
Total		(2,400)

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,105,599</u></u>
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See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,636,303</u>
Liabilities	
Undistributed Monies	<u>\$8,636,303</u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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 108 school districts throughout Ohio. Each school district member superintendent serves as a representative of the Assembly. The Assembly is the legislative body of the Council. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). Five members of the Board are selected 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.

A. Description of the Entity

The Council provides services primarily in the area of procurement. The Council also negotiates on behalf of its members and other not-for-profit entities to contract for employee life insurance, property, fleet and casualty insurance, supplies, books, buses, natural gas, and electrical energy.

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. The Council has no component units.

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 Council also applies Financial Accounting Standards Board

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

(FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of Council's accounting policies are described below.

A. Basis of Presentation

The Council's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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, does not have business-type activities.

The statement of net assets 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 focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Council's general fund is its only governmental fund.

B. 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.

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 liabilities is reported as fund balance. The following is the Council's only governmental fund:

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. 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 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 entities involved in the Council-administered prepaid natural gas program.

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 governmental funds.

D. 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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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, charges for services and fees.

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.

E. 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.

F. Cash and Investments

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 2007, the Council's investments were limited to certificates of deposit, Federal National Mortgage Association Discount Notes and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating contracts such as certificate of deposits and repurchase agreements are reported at cost.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007 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.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

H. 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.

I. 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 assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost and updated for additions and retirements during the 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 except land 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:

Description	Governmental Activities Estimated Lives
Furniture and Equipment	5 – 15 years

J. 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.

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.

K. 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, compensated absences, contractually required pension contributions, and special termination benefits 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.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

L. 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.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Council and that are either unusual in nature or infrequent in occurrence.

Note 3 – 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;

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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 (STAROhio); 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.

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, \$7,869,685 of the Council's bank balance of \$8,269,685 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, 2007, the Council had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Majority</u>
Federal National Mortgage Association Discount Notes	\$3,994,719	264 Days
STAROhio	<u>2,356,763</u>	33 days Average
Total	<u><u>\$6,351,482</u></u>	

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Council's name. The Council has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The Federal National Mortgage Association Discount Notes carry a rating of AAA by Standard & Poor's and STAROhio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Council has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The Council places no limit on the amount it may invest in any one issuer. The following is the Council's allocation as of June 30, 2007:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal National Mortgage Association Discount Notes	62.89%
STAROhio	37.11%

Note 4 – Receivables

Receivables at June 30, 2007 consisted of only accounts receivable. All receivables are considered collectible in full within one year.

Note 5 – Other Employee Benefits

A. Compensated Absences

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

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

- Five days per year (first year)
- Ten days per year (2nd through 5th year)
- Fifteen days per year (6th through 11th year)
- Twenty days per year (12th year and thereafter)

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Days in the above schedule refer to workdays. Up to five unused vacation days may be carried forward and must be used by August 30. If an employee does not use the five unused vacation days within the prescribed time, the employee loses that time.

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 3 months of leaving the Council.

Sick leave shall be accrued according to the following schedule:

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.

B. 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% of the cost of medical and dental insurance.

For individuals employed with a 260-day contract after August 1, 2005, the Council shall pay 80% of the cost of medical and dental insurance.

The Council pays up to \$500 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 chose to receive a stipend of \$500 per month. 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 pays for life insurance in the amount of 2.5 times the employee's annual salary; including the employee's share of SERS retirement cost, but not pick-up on the pick-up.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>7/1/2006</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>6/30/2007</u>
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$103,163	\$3,956	(\$4,269)	\$102,850
Less Accumulated Depreciation:				
Furniture and Equipment	<u>(60,914)</u>	<u>(6,471)</u>	<u>3,869</u>	<u>(63,516)</u>
Governmental Activities Capital Assets, Net	<u>\$42,249</u>	<u>(\$2,515)</u>	<u>(\$400)</u>	<u>\$39,334</u>

Note 7 – Long Term Obligations

The changes in the Council long-term obligations during fiscal year 2007 were as follows:

	<u>Principal</u> <u>Outstanding</u> <u>7/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal</u> <u>Outstanding</u> <u>6/30/2007</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	<u>\$16,173</u>	<u>\$12,964</u>	<u>(\$9,264)</u>	<u>\$19,873</u>	<u>\$7,884</u>

Note 8 – Pension Plan

The Council contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current Council rate is 14 percent of annual covered payroll. A portion of the Council's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Council's required contributions for pension obligations to SERS for the fiscal

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

years ended June 30, 2007, 2006 and 2005 were \$59,132, \$55,447 and \$46,549 respectively; 100 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

Note 9 – Postemployment Benefits

The Council provides comprehensive health care benefits to retired employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. SERS is funded on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$18,382.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

Note 10 – Risk Management

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 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
Directors' and Officers Liability	\$2,000,000	\$1,000
Employment Practices Liability	2,000,000	2,500
Trustee and Fiduciary Liability	2,000,000	2,500
Employee Dishonesty Bond	1,000,000	2,500
General Liability	1,000,000	1,000
Commercial Property	50,000	1,000
Professional Liability	1,000,000	1,000

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

Note 11 – Lease Obligations

On June 28, 2005, the Council entered into an operating lease with Rockside Square II, for the period of December 1, 2005 to November 30, 2008, for the rental of the space located at 6133 Rockside Road. The terms of the lease require payment in monthly installments in the amount of \$3,500.

Note 12 – Major Programs

The Ohio School Council administers two major programs:

Electricity Program

In 2005, Energy Acquisition Corporation II, a non-profit corporation with a self-appointing board, issued \$246,355,000,000 in bonds and on the same date an electricity prepayment of \$241,685,363 covering the period May 2005 through December 2008 was made by Energy Acquisition Corporation II on behalf of 249 Ohio school districts and county boards of mental retardation and developmental disabilities (MR/DD) to the supplier, First Energy, Inc. This created a program for the Ohio Schools Council called Energy for Education II. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. A trustee uses the payments to make principal and interest payments on the bonds. If a participating school district terminates its agreement, the district is required to repay the savings to First Energy and First Energy will refund the remaining prepayment for that participant to Energy Acquisition Corporation II to be used to redeem a portion of the outstanding bonds.

Prepaid/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 come due through November 2011. This prepaid gas program was terminated during fiscal year 2007.

An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and is effective until August 31, 2008.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage 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 September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors

We have audited the 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, 2007, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 4, 2008. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Council's management in a separate letter dated March 4, 2008.

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, providing an opinion 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*.

We intend this report solely for the information and use of the Board of Directors, audit committee and management. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 4, 2008



Mary Taylor, CPA
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
MAY 8, 2008**