



**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**SCIOTO COUNTY SCHOOLS COUNCIL  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Scioto County Schools Council  
Scioto County  
411 Court Street  
Room 105  
Portsmouth, Ohio 45662

To the Schools Council:

We have audited the accompanying financial statement of the Scioto County Schools Council, Scioto County, Ohio, (the Council) as of and for the years ended June 30, 1999 and 1998. This financial statement is the responsibility of the Council's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Scioto County Schools Council, Scioto County, Ohio, as of June 30, 1999 and 1998, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 4, the Council is underfunded by \$353,208 at June 30, 1999. The Council's plans related to this issue are described in Note 5.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2000 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Scioto County Schools Council  
Scioto County  
Report of Independent Accountants  
Page 2

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

**Jim Petro**  
Auditor of State

May 12, 2000

**SCIOTO COUNTY SCHOOLS COUNCIL  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCE**

**FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b>Cash Receipts:</b>		
Charges for Insurance	\$8,381,150	\$7,895,695
Stop-loss Reimbursements	224,959	104,950
Earnings on Investments	87,345	89,574
Miscellaneous	<u>48,270</u>	<u>70,341</u>
 Total Cash Receipts	 <u>8,741,724</u>	 <u>8,160,560</u>
<b>Cash Disbursements:</b>		
Claims Payments	8,828,541	7,727,112
Fees/Premiums	386,891	420,751
Purchased Services	16,764	6,581
Miscellaneous	<u>785</u>	<u>1,696</u>
 Total Cash Disbursements	 <u>9,232,981</u>	 <u>8,156,140</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>(491,257)</u>	 <u>4,420</u>
 Cash Balance, July 1	 <u>1,430,555</u>	 <u>1,426,135</u>
 <b>Cash Balance, June 30</b>	 <b><u><u>\$939,298</u></u></b>	 <b><u><u>\$1,430,555</u></u></b>

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

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**SCIOTO COUNTY SCHOOLS COUNCIL  
NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 1999-1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Scioto County Schools Council (the Council), a Regional Council of Governments organized under Ohio Revised Code Chapter 167, was created for the purpose of establishing and administering a cooperative health insurance program. The Council is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Board of Directors is the legislative and managerial body of the Council. The Board of Directors is composed of representatives from member school districts who have been appointed by their respective school district (normally the Superintendent).

The Board of Directors appoint a Board of Education, of a member school district, with the consent of the said Board of Education, as the Fiscal Agent for the Council. The Treasurer of the Fiscal Agent shall be the Treasurer of the Council. The South Central Ohio Educational Service Center serves as the Fiscal Agent for the Council.

The Council's management believes this financial statement presents all activities for which the Council is financially accountable.

**B. Basis of Accounting**

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

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

To improve cash management, all cash received by the Council is pooled in three central bank accounts. Monies are maintained in these accounts or temporarily used to purchase short term investments. During fiscal years 1999 and 1998, investments were limited to STAR Ohio (the state investment pool), and a Certificate of Deposit.

**SCIOTO COUNTY SCHOOLS COUNCIL  
NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 1999-1998  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Council maintains a cash and investments pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 226,266	\$ 730,555
Certificate of Deposit	0	700,000
STAR, Ohio	<u>713,032</u>	<u>0</u>
Total deposits and investments	<u>\$ 939,298</u>	<u>\$ 1,430,555</u>

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

The Council's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in a physical or book entry form.

**3. RISK MANAGEMENT**

The Council is a regional council of government organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The Council, which is open to any board of education of any school district in the State of Ohio, is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance program that is adequate to meet the needs of each member school under its benefit plan for its employees. The Board of Directors also purchases stop loss coverage for claims in excess of a set amount both for individual claims (\$100,000) and in the aggregate (\$9,797,398).

Each member of the Council is obligated to pay a fee based on an estimate of the member's share of the Council costs for the fiscal year. Included in this estimate are the claims by eligible employees which are payable by each member, the member's share of the health and dental insurance stop-loss premiums, and their proportionate share of the administrative cost of the Council.

Member schools may withdraw from the Council at the end of any fiscal year upon notification to the Fiscal Agent by September 15 in the fiscal year preceding the fiscal year in which the member will withdraw, and may be removed for failure to make the required payments. Upon withdrawal, the withdrawing member forfeits all funds paid into the Health Benefit Plan and shall assume and be responsible for payment of all claims of its eligible employees incurred through the withdrawal date.

**SCIOTO COUNTY SCHOOLS COUNCIL  
NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 1999-1998  
(Continued)**

**4. ACTUARIAL REPORT**

Actuarial Valuations of Claim Liability and Funded Status were performed on the Council, for the periods ended June 30, 1999 and 1998. The purpose of the valuations is to estimate claims that have been incurred, whether reported at June 30 or not, under the Scioto County Schools Council health plan as of a valuation date, to compare its liability to funds reserved, and thereby determine whether the amounts reserved meet the requirements of Section 9.833 of the Ohio Revised Code. At June 30, 1998, it had been determined that the Council was in compliance with Section 9.833 of the Ohio Revised Code. As of June 30, 1999, it had been determined that the Scioto County Schools Council health plan was underfunded by \$353,208 to pay claims incurred through June 30.

**5. PLANS TO COVER UNDERFUNDED AMOUNTS**

The Council, upon consultation with CoreSource, the Third Party Plan Administrator, increased the Claims payments rates for all member districts by 30%, effective May 1, 2000. This increase was enacted to meet the needed increase in funding and bring the Council into compliance with Section 9.833 of the Ohio Revised Code. The Council will reevaluate the funding situation at the close of the fiscal year, June 30, 2000.

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

Scioto County Schools Council  
Scioto County  
411 Court Street  
Room 105  
Portsmouth, Ohio 45662

To the Schools Council:

We have audited the accompanying financial statement of the Scioto County Schools Council, Scioto County, Ohio, (the Council) as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated May 12, 2000, wherein we noted that the Council is underfunded on an actuarial basis by \$353,208 as of June 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Council's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-60773-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Council in a separate letter dated May 12, 2000.

**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 statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in that normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated May 12, 2000.

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

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

**Jim Petro**  
Auditor of State

May 12, 2000

**SCIOTO COUNTY SCHOOLS COUNCIL  
SCHEDULE OF FINDINGS  
JUNE 30, 1999 AND 1998**

<b>FINDING RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-60773-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 9.833** requires individual or joint self-insurance programs providing health care benefits to reserve amounts to cover potential costs of those health care benefits. The programs are to secure the services of an actuary to certify that the amounts reserved conform with the law, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles.

A review of the "Actuarial Valuation of Claim Liability and Funded Status" report for the year ended June 30, 1999 indicated that the minimum requirements under Section 9.833 of the Ohio Revised Code were not satisfied. According to the actuarial calculations, the plan is underfunded in the amount of \$353,208. This could lead to significant questions about the ability of the plan to continue to provide adequate coverage to the members. This underfunded status also implies that liabilities recorded on member's accrual-basis financial statements may be understated.

The Board of Directors increased rates by 30% effective May 1, 2000. The Council will again reevaluate its rates after the actuarial study completed for the year ending June 30, 2000.

**SCIOTO COUNTY SCHOOLS COUNCIL  
CORRECTIVE ACTION PLAN  
JUNE 30, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-60773-001	The Board of Directors enacted a 30% increase for all member districts effective May 1, 2000.	5/1/00	Lowell Howard, Chairman



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**SCIOTO COUNTY SCHOOLS COUNCIL**

**SCIOTO 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 23, 2000**