



**Auditor of State  
Betty Montgomery**



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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Directors:

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, 2003 and 2002. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 described 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, as of June 30, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2003 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 16, 2003

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**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash Receipts:</b>		
Charges for Insurance	\$11,166,389	\$11,222,023
Stop-loss/Claims Reimbursements		247,586
Earnings on Investments	66,447	44,383
Miscellaneous	7,416	9
	<u>11,240,252</u>	<u>11,514,001</u>
<b>Cash Disbursements:</b>		
Claims Payments	8,133,565	8,538,106
TPA Fees/Stop-Loss Premiums	986,026	1,228,278
Purchased Services	69,482	80,378
Miscellaneous	1,926	874
	<u>9,190,999</u>	<u>9,847,636</u>
Total Cash Receipts Over/(Under) Cash Disbursements	2,049,253	1,666,365
Cash Balance, July 1	<u>4,384,205</u>	<u>2,717,840</u>
<b>Cash Balance, June 30</b>	<b><u><u>\$6,433,458</u></u></b>	<b><u><u>\$4,384,205</u></u></b>

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

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**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Scioto County Schools Council, Scioto County (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 appoints a Board of Education of a member 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. Monies are either maintained in one of two checking accounts or temporarily used to purchase short term investments. During fiscal years 2003 and 2002, investments were limited to U.S. Government Securities, a repurchase agreement and STAROhio (the state investment pool).

**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2003 AND 2002  
(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:

	<b>2003</b>	<b>2002</b>
Demand Deposits	\$2,254,358	\$346,472
<u>Investments</u>		
STAROhio	625,313	120,788
Repurchase Agreement		3,916,945
Money Market Account	45,629	
U.S. Government Securities:		
Federal National Mortgage Association Bonds	1,504,438	
Federal Home Loan Mortgage Corporation Bonds	500,361	
Federal Home Loan Banks Bonds	1,503,359	
Total Investments	4,179,100	4,037,733
Total Deposits and Investments	\$6,433,458	\$4,384,205

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

**Investments:** The Council's investments in STAROhio, 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.

The Council maintained an overnight sweep account. The financial institution maintained records identifying securities pledged on the account.

The Council's investments in the Money Market Account are unsecured.

The Council's investments in the U.S. Government Securities are secured by the securities purchased.

**3. RISK MANAGEMENT**

The Council is a regional council of governments 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 and in the aggregate. At June 30, 2003 the attachment point for individual claims was \$200,000 for each covered individual with the exception of one covered individual for which the attachment point was \$700,000. The aggregate attachment point is calculated based on the number of covered individuals. The aggregate attachment points are \$918.55 per contract for medical coverage; \$188.87 per contract for prescription coverage; and \$44.67 per contract for dental coverage.

**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2003 AND 2002  
(Continued)**

**3. RISK MANAGEMENT (Continued)**

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.

**4. ACTUARIAL REPORT**

Actuarial Valuations of Claim Liability and Funded Status were performed for the years ended June 30, 2003 and 2002. 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 dental, health and prescription drug plans as of a valuation date, to compare its liability to funds reserved. Information regarding the funding status as of June 30, 2003 and 2002 is as follows:

	<u>2003</u>	<u>2002</u>
Cash and Investments at June 30	\$6,433,458	\$4,384,205
Actuarial Liability at June 30	<u>1,688,000</u>	<u>1,537,300</u>
Net Excess/(Deficit)	<u><u>\$4,745,458</u></u>	<u><u>\$2,846,905</u></u>

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Directors:

We have audited the financial statement of the Scioto County Schools Council, Scioto County, Ohio (the Council), as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated October 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Council in a separate letter dated October 16, 2003.

**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 control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course or 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 October 16, 2003.

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

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

**Betty Montgomery**  
Auditor of State

October 16, 2003



**Auditor of State  
Betty Montgomery**

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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  
NOVEMBER 25, 2003**