

Brown County Schools Benefits Consortium  
Brown County, Ohio

July 1, 2008, through June 30, 2010  
Fiscal Years Audited Under GAGAS: 2009 and 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

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# Mary Taylor, CPA

Auditor of State

Board of Directors  
Brown County Schools Benefits Consortium  
325 West State Street  
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Brown County Schools Benefits Consortium, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 29, 2010

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**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY, OHIO  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor’s Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances –For the Years Ended June 30, 2008 and 2007.....	3
Notes to the Financial Statements .....	4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	7



### Independent Auditor's Report

Brown County Schools Benefits Consortium  
325 West State Street  
Georgetown, Ohio 45121

To the Board of Directors:

We have audited the accompanying financial statements of the Brown County Schools Benefits Consortium, Brown County, Ohio, (the Consortium) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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.

As described more fully in Note 1, the Government has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Consortium's larger (i.e. major) funds separately. While the Government does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Government has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2010 or 2009, or its changes in financial position for the years then ended.

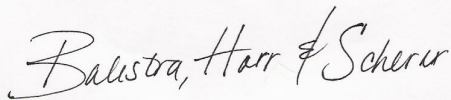


Independent Auditor's Report  
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Brown County Schools Benefits Consortium, as of June 30, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the Consortium'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.



Balestra, Harr & Scherer, CPAs, Inc.  
November 19, 2010

**BROWN COUNTY SCHOOL BENEFITS CONSORTIUM  
BROWN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$13,078,315	\$12,215,168
Total Operating Cash Receipts	13,078,315	12,215,168
<b>Operating Cash Disbursements:</b>		
Purchased Services	12,627,574	12,313,604
Total Operating Cash Disbursements	12,627,574	12,313,604
Operating Income/(Loss)	450,741	(98,436)
<b>Non-Operating Cash Receipts:</b>		
Interest	5,141	11,328
Total Non-Operating Cash Receipts	5,141	11,328
Net Receipts Over/(Under) Disbursements	455,882	(87,108)
Cash Balances, July 1	524,417	611,525
<b>Cash Balances, June 30</b>	<b>\$980,299</b>	<b>\$524,417</b>
Reserve for Encumbrances, June 30	\$37,146	\$21,023

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

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Brown County Schools Benefits Consortium, Brown County, Ohio (the Consortium), a Regional Council of Governments organized under Ohio Revised Code, Chapter 167, was established for the purpose of establishing and carrying out a cooperative health program. The Consortium is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws of the Consortium.

The Brown County Schools Benefits Consortium is a legally separate consortium. The Consortium is in a jointly governed organization with member governmental entities. The Consortium was formed for the primary purpose of establishing and carrying out a cooperative health program for its member governmental entities. The governing board consists of the superintendent or other designee appointed by each of the members of the Consortium.

The Consortium utilizes the Brown County Educational Service Center (the Educational Service Center) as its fiscal agent. The financial activity for the Consortium is reflected as an agency fund of the fiscal agent.

Management believes the financial statements included in this report represent all of the financial activity of the Consortium over which the Consortium has the ability to exercise direct operating control.

The Consortium is an insurance-purchasing pool for health insurance. Effective August 1, 2007, the Consortium changed its third party administrator from Medical Mutual of Ohio to Humana of Ohio. Members are fully insured by Humana who has full responsibility over claims. Humana bills the consortium monthly for the premium payment.

The dental insurance plan is a self insurance pool sponsored by the Educational Service Center and administered by a third party administrator. Effective April 1, 2008, the Consortium changed its third party administrator from Coresource to Dental Care Plus. Claims are made to the third party administrator by covered individuals. The third party administrator processes the claims, approves or denies, and makes payments to dental care providers. The third party administrator submits a list of claims paid to the Consortium, who in turn submits payments to the third party administrator. Stop loss coverage for dental is not considered necessary because there is a maximum benefit in place.

Membership in the Consortium is dependent upon each member enrolling at least 75 percent of its employees who are determined to be eligible for enrollment in the insurance plan. If a district withdraws from the Consortium, it would not receive a refund of premiums paid to the consortium and it may not rejoin until three years from the effective date of its termination. New school districts may become members of the Consortium only upon the evaluation of approval by the Directors of the Consortium, which consists of the districts' Superintendents or their designees. Lynchburg Clay Local School District and Bright Local School District became members of the Consortium effective August 2006 and August 2007 respectively.

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

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

**C. Cash and Investments**

The Consortium’s cash is held and invested by the Educational Service Center, (the Service Center), who acts as custodian for Consortium monies. The Consortium’s assets are held in the Service Center’s cash and investment pool consisting of demand deposits and Star Ohio. The investment in STAR Ohio (the State Treasurer’s investment pool) is valued at amounts reported by the State Treasurer.

**D. Budgetary Process**

The member governments of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself does not adopt a budget, the Educational Service Center, the Consortium’s fiscal agent, is no longer required under State statute to file budgetary information with the State Department of Education.

**2. CASH AND INVESTMENTS**

The Educational Service Center is the fiscal agent for the Consortium. The Educational Service Center maintains deposits and specific investments for the Consortium. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments held by the Brown County Educational Service Center for the Consortium at June 30 was as follows:

	2010	2009
Cash:		
Demand deposits	\$978,997	\$459,186
Investments:		
Star Ohio	1,302	65,231
Total Deposits and Investments	\$980,299	\$524,417

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. RISK MANAGEMENT**

The Brown County Schools Benefit Consortium 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 Consortium, 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 is composed of one representative from each member school.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**3. RISK MANAGEMENT (Continued)**

As of August 1, 2000 the Consortium became an insurance purchasing pool for medical insurance. The Consortium contracted with Medical Mutual of Ohio through July 31, 2007 and with Humana of Ohio effective August 1, 2007 to provide fully funded medical insurance for its members. Each member district pays a fee based on their employee membership and related premiums.

The Consortium is also self insured for dental insurance. Membership rates are charged based claims approved the third party administrator (Coresource through March 31, 2008 and Dental Care Plus effective April 1, 2008). Member schools may withdraw from the Consortium at the end of any fiscal year, and may be removed for failure to make the required payments. The obligation for the payment of any negative balance in a member's account and the remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

**4. LOSS RESERVE**

Since the dental program is self insured, the loss reserve must be equal to or less than the actual fund balance. The dental fund balance as of June 30, 2010 and June 30, 2009 was \$343,783 and \$317,477, respectively.

The loss reserve from the dental third party administrator, Dental Care Plus, that includes the run off or total accruals as of June 30, 2010 and June 30, 2009 totaled \$36,525 and \$179,201, respectively.

The self funded dental program meets the loss reserve even though an actuarial statement/opinion for the dental self insurance was not certified.



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

Members of the Board  
Brown County Schools Benefits Consortium  
325 West State Street  
Georgetown, Ohio 45121

To the Board of Directors:

We have audited the financial statements of the financial statements of Brown County Schools Benefits Consortium, Brown County, (the Consortium) as of and for the years ended June 30, 2010 and June 30, 2009, which collectively comprise the Consortium's basic financial statements and have issued our report thereon dated November 19, 2010. 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 Consortium's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Consortium's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Consortium's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**Compliance and Other Matters**

As part of reasonably assuring whether the Consortium'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*.

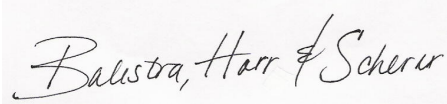
Members of the Board

Brown County Schools Benefits Consortium

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

Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.  
November 19, 2010







**Mary Taylor, CPA**  
Auditor of State

**BROWN COUNTY SCHOOLS BENEFIT CONSORTIUM**

**BROWN 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  
JANUARY 11, 2011**