



**Auditor of State
Betty Montgomery**

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM
BROWN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brown County Schools Benefits Consortium
Brown County
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 fiscal years ended June 30, 2004 and 2003. 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 obtain reasonable assurance 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 opinion.

As discussed in Note 1, the Consortium prepares its financial statements 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 statements referred to above present fairly, in all material respects, the cash balances and reserves for encumbrances of the Consortium as of June 30, 2004 and 2003, and its cash receipts and cash disbursements for the fiscal 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 March 25, 2005 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing 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". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 25, 2005

**BROWN COUNTY SCHOOL BENEFITS CONSORTIUM
BROWN COUNTY**

**TATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
Operating Cash Receipts:		
Charges for Services	\$6,626,524	\$6,094,350
Total Operating Cash Receipts	6,626,524	6,094,350
Operating Cash Disbursements:		
Purchased Services	6,685,047	5,951,577
Total Operating Cash Disbursements	6,685,047	5,951,577
Operating Income/(Loss)	(58,523)	142,773
Non-Operating Cash Receipts:		
Interest	9,779	10,158
Total Non-Operating Cash Receipts	9,779	10,158
Net Receipts Over/(Under) Disbursements	(48,744)	152,931
Cash Balances, July 1	598,101	445,170
Cash Balances, June 30	\$549,357	\$598,101
Reserve for Encumbrances, June 30	\$23,314	\$18,899

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

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**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

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 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, and members are fully insured by Medical Mutual of Ohio who has full responsibility over claims. Medical Mutual of Ohio bills the consortium monthly for the premium payment.

The dental insurance plan is a self insurance pool sponsored by the Brown County Educational Service Center and administered by Coresource a third party administrator. Claims are made to Coresource by covered individuals. Coresource processes the claims, approves or denies, and makes payments to dental care providers. Coresource submits a list of claims paid to the Consortium, who in turn submits payments to Coresource. 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.

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, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

The Consortium's cash is held and invested by the Brown County 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 Brown County 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. However, the Educational Service Center's Board does follow the budgetary process for control purposes.

2. CASH AND INVESTMENTS

The Brown County Educational Service Center is the fiscal agent for the Consortium. The Brown County Educational Service Center maintains deposits and specific investments for the Consortium. The Ohio Rev. 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:

	2004	2003
Cash:		
Demand deposits	\$494,032	\$543,330
Investments:		
Star Ohio	<u>55,325</u>	<u>54,771</u>
Total Deposits and Investments	<u>549,357</u>	<u>\$598,101</u>

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, 2004 AND 2003
(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 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). 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.

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Auditor of State Betty Montgomery

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

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

To the Board of Directors:

We have audited the financial statements of the Brown County Schools Benefits Consortium, Brown County, Ohio (the Consortium), as of and for the fiscal years ended June 30, 2004 and 2003, and have issued our report thereon dated March 25, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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 that we must report under *Government Auditing Standards*. In a separate letter to the Consortium's management dated March 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for 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

March 25, 2005



**Auditor of State
Betty Montgomery**

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BROWN COUNTY SCHOOLS BENEFITS 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
MAY 10, 2005**