



**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2000-1999**



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

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**STATE OF OHIO**



**ROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

Brown County Schools Benefits Consortium  
Brown County  
325 West State Street  
Fairgrounds  
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, 2000 and 1999. 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 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 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 that 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 of the Consortium as of June 30, 2000 and 1999, 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 February 26, 2001, 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 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 § 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

February 26, 2001

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**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ENTERPRISE FUND  
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
<b>Operating Cash Receipts:</b>		
Charges for Services	<u>\$5,612,857</u>	<u>\$3,507,600</u>
Total Operating Cash Receipts	<u>5,612,857</u>	<u>3,507,600</u>
<b>Operating Cash Disbursements:</b>		
Purchased Services	<u>5,457,669</u>	<u>4,183,015</u>
Total Operating Cash Disbursements	<u>5,457,669</u>	<u>4,183,015</u>
Operating Income/(Loss)	155,188	(675,415)
<b>Non-Operating Cash Receipts:</b>		
Earnings on Investments	<u>20,025</u>	<u>40,472</u>
Net Receipts Over/(Under) Disbursements	175,213	(634,943)
Fund Cash Balances, July 1	<u>248,412</u>	<u>883,355</u>
<b>Fund Cash Balances, June 30</b>	<u><u>\$423,625</u></u>	<u><u>\$248,412</u></u>

*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, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Brown County Schools Benefits Consortium (the Consortium), a Regional Council of Governments organized under Ohio Rev. 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.

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 plan is sponsored by the Brown County Educational Service Center, and is administered by Stoner and Associates. The dental insurance plan is administered by Coresource. Stoner and Associates makes the actual claim payments and establishes members' premium rates using actuarial methods. The plan administrator notifies the Consortium makes a weekly deposit in a Stoner and Associates account to cover those claims.

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. A member district may withdraw by giving the consortium and Stoner and Associates a sixty day written notice of termination. 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 of Stoner and Associates and the Board of 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.

**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 STAROhio (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, but the Brown County Educational Service Center, the Consortium's fiscal agent, adopts a budget and files it with the Brown County Auditor.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

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

The Consortium maintains a cash pool and investments with the fiscal agent. The Ohio Rev. Code prescribes allowable deposits and investments. The carrying amount of cash and investments for the Consortium at June 30 was as follows:

	2000	1999
Cash:		
Demand deposits	\$(65,342)	\$ 11,973
Investments:		
StarOhio	488,967	236,439
Total	\$423,625	\$248,412

**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 STAROhio 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 also purchases coverage for claims in excess of a set amount for those members that are self insured. The Board of Directors is composed of one representative from each member school.

Each member district of the Consortium is obligated to pay a fee based on an estimate of the district's share of the Consortium costs for the fiscal year. Fees are based on the member district's percent of enrolled employees. Included in this estimate are the claims by eligible employees, health and dental insurance premiums, and administrative costs of the Consortium. Prepayments of anticipated shortages may be made by member schools.

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.

The public entity risk pool uses reinsurance agreements (stop-loss agreements) to reduce its risk to the possibility of large losses on medical claims. These reinsurance agreements allow the risk pool to recover a portion of the losses from reinsurers, although it does not discharge the primary liability of the public entity risk pool. The public entity risk pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurance.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**4. LOSS RESERVE**

The Consortium obtained statements of actuarial opinion dated July 31, 1999 and June 30, 2000, which determined the loss reserve. The loss reserve and Consortium cash balances follow:

	<u>July 31, 1999</u>	<u>June 30, 2000</u>
Consortium Balance	\$302,647	\$423,625
Required Reserve	<u>434,842</u>	<u>608,000</u>
Deficit	<u>(\$132,195)</u>	<u>(\$184,375)</u>

**5. JOINTLY GOVERNED ORGANIZATION**

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 does not have an ongoing financial interest in or ongoing financial responsibility for the member governmental entities other than the claims paid on behalf of the member governmental entities' employees.

The Consortium utilizes the Brown County Educational Service Center as its fiscal agent. The financial activity for the Consortium is reflected in the internal service fund of the fiscal agent.

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

Brown County Schools Benefits Consortium  
Brown County  
325 West State Street  
Fairgrounds  
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, 2000 and 1999, and have issued our report thereon dated February 26, 2001. 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 Consortium's financial statements are 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Consortium in a separate letter dated February 26, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 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 a matter involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Consortium in a separate letter dated February 26, 2001.

Brown County Schools Benefits Consortium  
Brown County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
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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.

**Jim Petro**  
Auditor of State

February 26, 2001



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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  
MARCH 13, 2001**