

**BROWN COUNTY SCHOOLS
BENEFITS CONSORTIUM
BROWN COUNTY, OHIO**

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Brown County Schools Benefits Consortium
9231 Hamer Road #B
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of Brown County Schools Benefits Consortium, Brown County, prepared by Julian & Grube, Inc., for the audit period July 1, 2021 through June 30, 2022. 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.

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. Brown County Schools Benefits Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 03, 2023

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**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM
BROWN COUNTY, OHIO**

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Independent Auditor's Report

Brown County Schools Benefits Consortium
Brown County
9231 Hamer Road #B
Georgetown, Ohio 45121

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Brown County Schools Benefits Consortium, Brown County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Brown County Schools Benefits Consortium's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Brown County Schools Benefits Consortium, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Brown County Schools Benefits Consortium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 6 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Brown County Schools Benefits Consortium. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Brown County Schools Benefits Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Brown County Schools Benefits Consortium's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Brown County Schools Benefits Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *Claims Development Information* listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Brown County Schools Benefits Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Brown County Schools Benefits Consortium's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brown County Schools Benefits Consortium's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2022

Brown County Schools Benefits Consortium

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

The management's discussion and analysis of the Brown County Schools Benefits Consortium's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 are as follows:

- The assets of the Brown County Schools Benefits Consortium exceeded its liabilities at June 30, 2022 by \$8,016,955.
- Net position of the Brown County Schools Benefits Consortium decreased \$1,644,677 from the prior year.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Consortium is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statement of Net Position** includes all of the Consortium's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the Consortium, and obligations owed by the Consortium (liabilities) on June 30, 2022. The Consortium's net position is the difference between assets and liabilities.

The **Statement of Revenues, Expenses and Change in Net Position** provides information on the Consortium's operations over the past year and the success of recovering all its costs through user fees, charges and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the Consortium's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Brown County Schools Benefits Consortium
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

STATEMENT OF NET POSITION

Table 1 provides a summary of the Consortium's net position for 2022 as compared to 2021.

Table 1
Net Position

	2022	2021
<u>Assets</u>		
Current and Other Assets	\$10,292,177	\$11,643,148
Total Assets	10,292,177	11,643,148
<u>Liabilities</u>		
Current and Other Liabilities	2,275,222	1,981,516
Total Liabilities	2,275,222	1,981,516
<u>Net Position</u>		
Unrestricted	8,016,955	9,661,632
Total Net Position	\$8,016,955	\$9,661,632

Current and other assets mainly consisted of cash. Current and other assets decreased primarily due to a \$1,177,261 decrease in accounts receivable due to additional rebates and stop loss reimbursements for 2021 which did not occur to the same level in 2022. There was a decrease in equity in pooled cash and cash equivalents as cash basis claims and other disbursements exceeded cash receipts in fiscal year 2022.

Current and other liabilities consisted of claims payable, accounts payable, and unearned revenue. Current and other liabilities increased due mainly to a \$339,000 increase in claims payable which was partially offset by a \$40,033 decrease in unearned revenue.

The Consortium's net position is unrestricted. The net position represents resources that may be used to meet the Consortium's ongoing obligations to pay medical claims and other expenses and when there is a deficit balance then additional resources will be required to pay medical claims and other expenses.

Brown County Schools Benefits Consortium
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

STATEMENT OF CHANGES IN NET POSITION

Table 2 shows the changes in net position for the fiscal year ended June 30, 2022, with a comparison to the fiscal year ended June 30, 2021.

Table 2
Changes in Net Position

	2022	2021
Operating Revenues:		
Charges for Services	\$18,669,325	\$18,216,777
Miscellaneous	33,391	1,291
Total Operating Revenues	18,702,716	18,218,068
Operating Expenses:		
Claims	18,808,273	16,255,971
Administrative and Stop Loss Fees	1,530,806	1,395,826
Other Purchased Services	45,445	62,575
Total Operating Expenses	20,384,524	17,714,372
Nonoperating Revenue:		
Interest Income	37,131	26,619
Change in Net Position	(1,644,677)	530,315
Net Position - Beginning of Year	9,661,632	9,131,317
Net Position - End of Year	\$ 8,016,955	\$ 9,661,632

The most significant revenue for the Consortium is charges for services. Charges for services are premiums received from member districts. The charges for services increased \$452,548 from the prior year.

The most significant expenses for the Consortium are Claims. Claims, which represent 92.3 percent of total expenses, represent medical claims and prescription costs paid as benefits for employees of the members of the Consortium. Claims expense increased \$2,552,302 from the prior year which is partially due to rebates and stop loss reimbursements decreasing from the prior year and also due to increased claims from the previous year.

BUDGET HIGHLIGHTS

The Brown County Schools Benefits Consortium is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the Consortium had no capital assets.

Debt Administration

At June 30, 2022, the Consortium had no debt outstanding.

Brown County Schools Benefits Consortium

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

CURRENT ISSUES

Management believes that the Brown County Schools Benefits Consortium is financially stable. The Consortium utilizes a broker, Marsh & McLennan Agency, to negotiate insurance costs and rebates, as well as, provide insurance options for consideration with the purpose of reducing costs.

The Consortium will continue to carefully evaluate ongoing activity and any additional changes as needed to ensure the financial stability of the Consortium in the future. Careful financial planning will permit the Consortium to provide quality benefits for the employees of the member districts.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions about this report or additional financial information should be directed to Blinda Boothby, Treasurer at the fiscal agent, Brown County Educational Service Center, 9231 B Hamer Road, Georgetown, Ohio 45121.

Brown County Schools Benefits Consortium
Brown County
Statement of Net Position
As of June 30, 2022

Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 10,015,269
Accounts Receivable	<u>276,908</u>
Total Assets	<u>10,292,177</u>

Liabilities:

Claims Payable	1,580,000
Unearned Revenue	<u>695,222</u>
Total Liabilities	<u>2,275,222</u>

Net Position:

Unrestricted	<u>8,016,955</u>
Total Net Position	<u>\$ 8,016,955</u>

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

Brown County Schools Benefits Consortium
Brown County
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2022

Operating Revenues:	
Charges for Services	\$ 18,669,325
Miscellaneous	<u>33,391</u>
Total Operating Revenues	<u>18,702,716</u>
Operating Expenses:	
Claims	18,808,273
Administrative and Stop Loss Fees	1,530,806
Other Purchased Services	<u>45,445</u>
Total Operating Expenses	<u>20,384,524</u>
Operating Income	<u>(1,681,808)</u>
Other Nonoperating Revenues:	
Interest Income	<u>37,131</u>
Total Nonoperating Revenues	<u>37,131</u>
Net Change in Net Position	(1,644,677)
Net Position, July 1, 2021	<u>9,661,632</u>
Net Position, June 30, 2022	<u><u>\$ 8,016,955</u></u>

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

Brown County Schools Benefits Consortium
Brown County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Member Districts	\$ 18,629,292
Cash Payments for Claims	(17,292,012)
Cash Payments for Administrative and Stop Loss Fees	(1,530,806)
Cash Payments for Other Purchased Services	(50,706)
Cash Receipts for Miscellaneous	33,391

Net Cash from Operating Activities	(210,841)
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Cash Flows from Investing Activities:

Interest on Investments	37,131
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Net Cash from Investing Activities	37,131
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Net Decrease in Cash and Cash Equivalents	(173,710)
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Cash and Cash Equivalents Beginning of Year	10,188,979
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Cash and Cash Equivalents End of Year	\$ 10,015,269
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Reconciliation of Operating Income
to Net Cash from Operating Activities:

Operating Income	\$ (1,681,808)
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(Increase) Decrease in Assets and
Increase (Decrease) in Liabilities:

Accounts Receivable	1,177,261
Unearned Revenue	(40,033)
Claims Payable	339,000
Accounts Payable	(5,261)

Total Adjustments	1,470,967
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Net Cash from Operating Activities	\$ (210,841)
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The notes to the basic financial statements are an integral part of this statement.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

1. DESCRIPTION OF CONSORTIUM AND REPORTING ENTITY

A. Description of the Entity

The Brown County Schools Benefits Consortium, Brown County, Ohio (the Consortium), a jointly administered self-insurance consortium established under Section 9.833 of the Ohio Revised Code, was established for the purpose of establishing and carrying out a joint self-insurance program. The Consortium was established for the purpose of exercising the rights and privileges conveyed to it by the by-laws 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 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 a custodial fund of the fiscal agent.

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

As of November 1, 2013, the Consortium is a self-insurance pool for health insurance (medical and prescription drug). The dental insurance plan is also a self-insurance pool. The Consortium uses third party administrators to process claims, approve and deny claims, and make payments to the providers. United Heath Care is the third party administrator for health insurance and Dental Care Plus is the third party administrator for dental insurance. To protect the Consortium from catastrophic claims, the Consortium purchased excess stop loss insurance for its health plan. This coverage includes a maximum stop loss limit of \$200,000 per subscriber and aggregate stop loss of a maximum of \$1,000,000 per policy year. 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 member 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 and approval by the Directors of the Consortium, which consists of the member districts' superintendents or their designees.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Consortium's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain items of significance in the Statement include the following:

A. Basis of Presentation

The Consortium's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and change in net position; and a statement of cash flows. The Consortium uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. Statement of revenues, expenses and change in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Basis of Accounting

As stated above, basis of accounting determines when transactions are recorded in the financial records and reported in the basic financial statements. The Consortium's basic financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from the nonexchange transactions, in which the Consortium receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Consortium must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Consortium on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Cash and Investments

The Consortium's cash is held and invested by the fiscal agent, Brown County Educational Service Center, (the "Service Center"). The Service Center acts as a custodian for Consortium monies. The Consortium's assets are held by the Service Center in separate demand deposit accounts. An analysis of the Consortium's deposits at fiscal year-end is provided in Note 3.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Consortium applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

As of June 30, 2022, the Consortium had no net position considered to be restricted by enabling legislation.

F. Budgetary Process

The member governments of the Consortium, except for Brown County Educational Service Center, are required by Ohio law to adopt an annual budget. The Consortium itself is not required to follow the budgetary process and, therefore, does not adopt a budget.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Consortium. For the Consortium, these revenues are charges for insurance services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. For the Consortium, these expenses are for claims, administrative and stop loss fees, other purchased services, and any other operating related expenses. All revenues and expenses not meeting this definition are reported as non-operating.

H. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Payments made by member districts in June 2022 for invoices issued in June 2022 are for premiums for claims to be incurred after fiscal year end and are reported as unearned revenue at year end.

I. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the basic financial statements and accompanying notes. Actual results may differ from those estimates.

J. Claims Payable

Claims incurred during the current fiscal year, but not paid until the subsequent fiscal year are recorded as a liability in the accompanying financial statements. Please see Note 4 for additional information.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

3. DEPOSITS AND INVESTMENTS

Monies held by the Consortium are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Consortium treasury. Active monies must be maintained either as cash in the Consortium treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes (for a period not to exceed one hundred eighty days and two hundred seventy days, respectively) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

3. DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Consortium and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,885,293 of the Consortium's bank balance of \$10,135,293 was exposed to custodial credit risk but covered by the Ohio Pooled Collateral System, as discussed below. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the Federal Deposit Insurance Corporation.

The Consortium does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

4. RISK MANAGEMENT

A. Liability Insurance

The Brown County Schools Benefits Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2022, professional liability coverage was obtained by the Brown County Educational Service Center (the Educational Service Center), as the Consortium's fiscal agent on behalf of the Consortium, from the Argonaut Insurance Company with a \$5,000,000 aggregate limit.

The Liberty Mutual Insurance Company maintains a \$20,000 public official bond for the Treasurer. A \$100,000 blanket bond for other employees of the Educational Service Center is also maintained by the Argonaut Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from the last fiscal year.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

4. RISK MANAGEMENT (continued)

B. Public Entity Shared Risk and Insurance Purchasing Pool

The Brown County Schools Benefits Consortium is a jointly administered self-insurance consortium established under Section 9.833 of the Ohio Revised Code, 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.

As of November 1, 2013, the Consortium became self-insured for medical insurance. Membership rates are charged based on claims approved by the third-party administrator (United Health Care). 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 remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

The Consortium is self-insured for dental insurance. Membership rates are charged based on claims approved by the third-party administrator (Dental Care Plus). 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 claims liability of \$1,580,000 reported on June 30, 2022 is based on an estimate provided by the third-party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the current fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2021	1,097,000	16,255,971	16,111,971	1,241,000
2022	1,241,000	18,808,273	18,469,273*	1,580,000

* - Claims payments differ with amount reflected on the Statement of Cash Flows due to net \$1,177,261 portion of rebates and stop-loss reimbursements that are recorded as accounts receivable and claims expenses adjustment in the accompanying financial statements.

5. LOSS RESERVE

Since the medical and dental programs are self-insured, the loss reserve must be equal to or less than the actual fund balance. The net position as of June 30, 2022, was \$8,016,955.

The loss reserve, certified by a statement of actuarial opinion provided by an actuary who is a member of the American Academy of Actuaries, for the fiscal year ended June 30, 2022, was \$1,580,000.

The medical and dental programs meet the loss reserve.

Brown County Schools Benefits Consortium

Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

6. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Consortium. The impact on the Consortium's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

7. LITIGATION

The Consortium is not party to any litigation that, in the opinion of management, is expected to have a material adverse effect on the financial position of the Consortium.

SUPPLEMENTARY INFORMATION

BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM

CLAIMS DEVELOPMENT

FISCAL YEAR ENDED JUNE 30, 2022

Claims Development Information

The following table illustrates how Brown County Schools Benefits Consortium's (the Consortium) earned revenues and investment income compares to related costs of loss and other expenses assumed by the Consortium. The rows of the table are defined as follows:

- 1) This section shows the total of each fiscal year's earned contract revenues and investment revenues.
- 2) This line shows each fiscal year's other operating costs of the Consortium including overhead and claims expense not allocable to individual claims.
- 3) This section shows the Consortium's estimated incurred claims and allocated claim adjustment expense (both paid and accrued) as originally determined for each policy year.
- 4) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- 5) This line compares the cumulative incurred claims amount to the amount originally established (line 3) and shows whether the cumulative claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between the original estimated and cumulative claims amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Note: The following table only reports years 2022 and 2021, since 2021 was the first fiscal year that the Consortium reported on a basis in accordance with generally accepted accounting principles in the United States of America.

BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM

CLAIMS DEVELOPMENT

FISCAL YEARS ENDED JUNE 30, 2022-2021

	<u>2022</u>	<u>2021</u>
1. Required contribution and investment revenue		
Earned (a)	\$ 18,739,847	\$ 18,244,687
2. Unallocated expenses (a)	1,576,251	1,458,401
3. Estimated claims for policy year: (b)		
Incurred	18,088,812	17,238,780
4. Net paid claims as of: (b)		
End of policy year	17,465,253	16,846,496
One year later	N/A	1,362,467
Two years later	N/A	N/A
5. Increase (decrease) in net paid claims from estimated incurred claims for policy year.	(623,559)	(392,284)

(a) - Reported for fiscal year ended June 30 for each year.

(b) - Report for policy year ended October 31 for each year. The third party administrator provides an estimate of claims for each policy year at the beginning of the policy year. They do not recalculate estimates of claims after that date.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Brown County Schools Benefits Consortium
Brown County
9231 Hamer Road #B
Georgetown, Ohio 45121

To the Board of Directors:

We have audited, in accordance with the 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, the financial statements of the Brown County Schools Benefits Consortium, Brown County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Brown County Schools Benefits Consortium's basic financial statements, and have issued our report thereon dated December 21, 2022, wherein we noted as described in Note 6 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Brown County Schools Benefits Consortium's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brown County Schools Benefits Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brown County Schools Benefits Consortium's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Brown County Schools Benefits Consortium's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brown County Schools Benefits Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Brown County Schools Benefits Consortium's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brown County Schools Benefits Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 21, 2022

OHIO AUDITOR OF STATE KEITH FABER



BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/16/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov