

Brown County Schools Benefits Consortium
Brown County
Regular Audit
For the Fiscal Year Ended June 30, 2019



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OHIO AUDITOR OF STATE
KEITH FABER



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Board Members
Brown County Schools Benefits Consortium
9231 Hamer Road
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Brown County Schools Benefits Consortium, Brown County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2018 through June 30, 2019. 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. The 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

November 5, 2019

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Brown County Schools Benefits Consortium
Brown County
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For the Fiscal Year Ended June 30, 2019

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Independent Auditor's Report

Board Members
Brown County Schools Benefits Consortium
9231 Hamer Road
Georgetown, Ohio 45121

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements of Brown County Schools Benefits Consortium, Brown County, (the Consortium) as of and for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

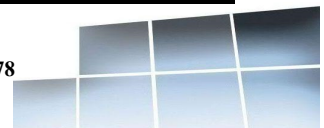
Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.



Basis for Adverse Opinion

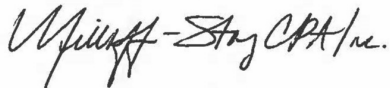
As described in Note 1 of the financial statements, the Consortium prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2019 and the respective changes in financial position or cash flows thereof for the year then ended.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of 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 the Consortium's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio 45662

September 24, 2019

Brown County Schools Benefits Consortium
Brown County
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
For the Fiscal Year Ended June 30, 2019

<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 17,005,453
<i>Total Operating Cash Receipts</i>	17,005,453
 <i>Operating Cash Disbursements:</i>	
Purchased Services	16,148,838
<i>Total Operating Cash Disbursements</i>	16,148,838
<i>Operating Cash Receipts Over Operating Cash Disbursements</i>	856,615
 <i>Non-Operating Cash Receipts:</i>	
Interest	149,108
<i>Total Non-Operating Cash Receipts</i>	149,108
<i>Net Receipts Over Disbursements</i>	1,005,723
<i>Fund Cash Balance, July 1</i>	7,380,733
<i>Fund Cash Balance, June 30</i>	\$ 8,386,456

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

For the Fiscal Year Ended June 30, 2019

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 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 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.

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 Health 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 approval by the Directors of the Consortium, which consists of the member districts' superintendents or their designees.

B. Basis of Accounting

Although required by OAC 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP) the consortium chose to prepare its financial report on the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. This 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Brown County Schools Benefits Consortium
Brown County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

The Consortium's cash is held and invested by the Educational Service Center, who acts as custodian of Consortium monies. The Consortium's assets are held in the Educational 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 specific deposits and 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, 2019 was as follows:

Cash:	
Demand Deposits	\$5,325,818
Investments:	
STAR Ohio	<u>3,060,638</u>
Total Cash and Investments	<u>\$8,386,456</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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

3. 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 fiscal year 2019, 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 Ohio Casualty 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 Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Risk Management (Continued)

B. Public Entity Shared Risk and Insurance Purchasing Pool

The Brown County Schools Benefits Consortium is a Regional Council of Governments organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The 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 the 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.

4. 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 fund balance as of June 30, 2019 was \$8,386,456.

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, 2019 was \$1,163,000.

The medical and dental programs meet the loss reserve.

5. Noncompliance

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the Consortium chose to prepare its financial statements on the basis of accounting permitted by the financial reporting provisions of Ohio Revised Codes Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. This is not in compliance with Ohio law.

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*

Independent Auditor's Report

Board Members
Brown County Schools Benefits Consortium
9231 Hamer Road
Georgetown, Ohio 45121

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, (the Consortium) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2019, wherein we noted the Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. The Consortium is required by Ohio Administrative Code Section 117-2-03(B) to follow accounting principles generally accepted in the United States of America. As such we have issued an adverse opinion.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 may exist that have not been identified.



Compliance and Other Matters

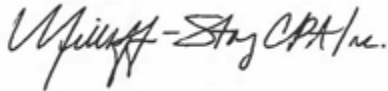
As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001.

Consortium's Response to Findings

The Consortium's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Consortium's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio 45662

September 24, 2019

Brown County Schools Benefits Consortium
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019

Finding 2019-001

Noncompliance – Financial Reporting

Ohio Administrative Code Section 117-2-03(B) requires the Consortium to prepare its annual financial report in accordance with generally accepted accounting principles in the United States of America (GAAP). The Consortium chose to prepare its financial report on the basis of accounting permitted by the financial reporting provision of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. We recommend Consortium file on the GAAP basis of accounting in order to comply with the Ohio Administrative Code.

Client Response:

Client believed it would not be cost beneficial to file on a GAAP basis.

Brown County Schools Benefits Consortium

Schedule of Prior Audit Findings

For the Year Ended June 30, 2019

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2018-001	Noncompliance with OAC Section 117-2-03(B) – Financial Reporting	No	Reissued as Finding 2019-001

OHIO AUDITOR OF STATE KEITH FABER



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
NOVEMBER 19, 2019**