

LAWRENCE COUNTY SCHOOLS
COUNCIL OF GOVERNMENTS
LAWRENCE COUNTY
REGULAR AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024



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Board of Directors
Lawrence County Schools Council of Governments
304 North 2nd Street
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Lawrence County Schools Council of Governments prepared by Millhuff-Stang, CPA, Inc., for the audit period October 1, 2023 through September 30, 2024. 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 Lawrence County Schools Council of Governments is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

January 07, 2026

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Lawrence County Schools Council of Governments
Lawrence County
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For the Fiscal Year Ended September 30, 2024

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Independent Auditor's Report

Board Members
Lawrence County Schools Council of Governments
304 North Second Street
Ironton, Ohio 45638

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lawrence County Schools Council of Governments, Lawrence County, Ohio (the Council), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Lawrence County Schools Council of Governments, Lawrence County, Ohio, as of September 30, 2024, and the respective changes in financial position and cash flows thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Council, 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.

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 Council'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.

Lawrence County Schools Council of Governments
Independent Auditor's Report

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 opinions. 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 GAAS 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 GAAS 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 Council'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 Council'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

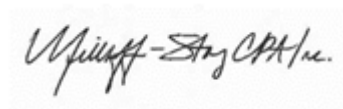
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Council's claims development information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although 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 GAAS, 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.

Lawrence County Schools Council of Governments
Independent Auditor's Report

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 July 9, 2025 on our consideration of the Council'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 Council'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 the Council's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Millhuff-Stang CPA, Inc." The signature is written in a cursive, flowing style.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

July 9, 2025

Lawrence County Schools Council of Governments
Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2024
(Unaudited)

The discussion and analysis of the Lawrence County Schools Council of Government's (the Council) financial performance provides an overall review of the Council's financial activities for the fiscal year ended September 30, 2024. The intent of this discussion and analysis is to look at the Council'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 Council's financial performance.

Financial Highlights

Key financial highlights for 2024 are as follows:

- The assets of the Lawrence County Schools Council of Governments exceeded its liabilities at September 30, 2024 by \$5,066,390.
- Net position of the Lawrence County Schools Council of Governments increased \$1,275,557 from the prior year.

Overview of the Basic Financial Statements

The Council 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 Council's assets and liabilities. These statements provide information about the nature and amounts of investments in resources owned by the Council (assets), and obligations owed by the Council (liabilities) on September 30, 2024. The Council's net position is the difference between assets and liabilities.

The statement of revenues, expenses and change in net position provides information on the Council's operations over the past year and the success of recovering all its costs through user fees charged and other income. Revenues are reported when earned and expenses are reported when incurred.

The statement of cash flows provides information about the Council's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities, as applicable each year.

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.

Lawrence County Schools Council of Governments
Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2024
(Unaudited)

Statement of Net Position

Table 1 provides a summary of the Council's net position as of September 30, 2024 as compared to September 30, 2023.

Table 1
Net Position

| | 2024 | 2023 |
|-------------------------------|-------------|-------------|
| Assets | | |
| Current and Other Assets | \$7,604,425 | \$8,320,679 |
| Liabilities | | |
| Current and Other Liabilities | 2,538,035 | 4,529,846 |
| Net Position | | |
| Unrestricted | \$5,066,390 | \$3,790,833 |

Current and other assets mainly consisted of cash and cash equivalents. Current and other assets decreased primarily due to a \$1,687,746 decrease in equity in pooled cash and cash equivalents. Due to a change in third party administrators (from Anthem to Jefferson Health Plan, or JHP), members of the Consortium started paying their monthly contributions directly to JHP, which resulted in a decrease to cash held by the Consortium as the Consortium continue to be run off claims without offsetting revenues. This decrease was partially offset by an increase in cash with fiscal agents held by JHP.

Current and other liabilities consisted of claims payable and unearned revenue. Current and other liabilities decreased due mainly to a \$1,830,823 decrease in unearned revenue which resulted from member districts paying their health premiums directly to JHP.

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

Lawrence County Schools Council of Governments
Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2024
(Unaudited)

Statement of Changes in Net Position

Table 2 shows the changes in net position for 2024 as compared to 2023.

Table 2
Changes in Net Position

| | 2024 | 2023 |
|--|--------------|--------------|
| Operating Revenues | | |
| Charges for Services | \$24,578,284 | \$22,242,917 |
| Operating Expenses | | |
| Claims | 22,897,944 | 22,213,092 |
| Administrative and Stop Loss Fees | 445,054 | 1,375,744 |
| Other Purchased Services | 229,181 | 390,051 |
| Other Operating Expenses | 17,051 | 32,419 |
| <i>Total Operating Expenses</i> | 23,589,230 | 24,011,306 |
| Nonoperating Revenues | | |
| Investment Earnings | 286,503 | 162,533 |
| <i>Change in Net Position</i> | 1,275,557 | (1,605,856) |
| <i>Net Position, Beginning of Year</i> | 3,790,833 | 5,396,689 |
| <i>Net Position, End of Year</i> | \$5,066,390 | \$3,790,833 |

The most significant expenses for the Council are claims. Claims, which represent 97 percent of total expenses, represent medical claims and prescription costs paid as benefits for employees of the members of the Council. Claims expense increased \$684,852 from the prior year due to an increase in claims paid in fiscal year 2024. The primary reasons for the increase are an increase in the number of claims paid as well as health care inflationary factors and the timing of payment of claims processed just before year-end. Administrative and stop loss fees decreased \$930,690 due primarily to a large rebate received during the year.

The most significant revenue for the Council is charges for services. Charges for services are premiums received from member districts, which increased \$2,335,367 from the prior year due to an increase in costs resulting in the need to increase premiums.

Budget Highlights

The Lawrence County Schools Council of Governments is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2024, the Council had no capital assets.

Debt Administration

At September 30, 2024, the Council had no debt outstanding.

Lawrence County Schools Council of Governments
Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2024
(Unaudited)

Current Issues

Management believes that the Lawrence County Schools Council of Government is financially stable. The Council continues to take steps to reduce claims expense as much as possible. However, the increase in claims expenses during 2024 resulted in a modest decrease in cash flow in fiscal year 2024. The Council continues to utilize the services of a consultant (Employee Management Services) who has and will continue to assist the Council in reducing claimants who were resulting in higher claims to the Council. Additionally, the Council continues to consider alternate health care options to reduce costs for both it and participants on the plan. The Council 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. In May 2024, the Council also joined the Jefferson Health Plan as an additional measure to help control costs by participating in a pool of governments and other organizations in Ohio.

The Council will continue to carefully evaluate ongoing activity and any additional changes as needed to ensure the financial stability of the Council in the future. Careful financial planning will permit the Council to provide quality benefits for the employees of the member districts. The Council continues to look at taking additional steps which may ultimately result in reduced future health care costs.

Contacting the Council'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 Robin Malone, Treasurer at the fiscal agent, Lawrence County Educational Service Center, 304 North Second Street, Ironton, Ohio 45638.

Lawrence County Schools Council of Governments
Lawrence County
Statement of Net Position
As of September 30, 2024

| | |
|--|---------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$6,295,601 |
| Cash and Cash Equivalents with Fiscal Agents | 1,154,255 |
| Accounts Receivable | <u>154,569</u> |
| <i>Total Assets</i> | <u><u>\$7,604,425</u></u> |
| Liabilities: | |
| Claims Payable | \$2,488,951 |
| Unearned Revenue | <u>49,084</u> |
| <i>Total Liabilities</i> | 2,538,035 |
| Net Position: | |
| Unrestricted | <u>5,066,390</u> |
| <i>Total Net Position</i> | <u><u>\$5,066,390</u></u> |

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

Lawrence County Schools Council of Governments
Lawrence County
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended September 30, 2024

| | |
|-------------------------------------|---------------------------|
| Operating Revenues: | |
| Charges for Services | <u>\$24,578,284</u> |
| <i>Total Operating Revenues</i> | 24,578,284 |
| Operating Expenses: | |
| Claims | 22,897,944 |
| Administrative and Stop Loss Fees | 445,054 |
| Other Purchased Services | 229,181 |
| Other Operating Expenses | <u>17,051</u> |
| <i>Total Operating Expenses</i> | <u>23,589,230</u> |
| <i>Operating Income</i> | 989,054 |
| Other Nonoperating Revenues: | |
| Interest Income | <u>286,503</u> |
| <i>Total Nonoperating Revenues</i> | <u>286,503</u> |
| <i>Net Change in Net Position</i> | 1,275,557 |
| <i>Net Position, October 1</i> | <u>3,790,833</u> |
| <i>Net Position, September 30</i> | <u><u>\$5,066,390</u></u> |

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

Lawrence County Schools Council of Governments
Lawrence County
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2024

Decrease in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

| | |
|---|--------------|
| Cash Received from Member Districts | \$22,930,224 |
| Cash Payments for Claims | (23,028,282) |
| Cash Payments for Administrative and Stop Loss Fees | (472,883) |
| Cash Payments for Other Purchased Services | (232,002) |
| Cash Payments for Miscellaneous | (17,051) |

Net Cash Used by Operating Activities (819,994)

Cash Flows from Investing Activities:

| | |
|-------------------------|---------|
| Interest on Investments | 286,503 |
|-------------------------|---------|

Net Cash Provided by Investing Activities 286,503

Net Decrease in Cash and Cash Equivalents (533,491)

Cash and Cash Equivalents Beginning of Year 7,983,347

Cash and Cash Equivalents End of Year \$7,449,856

Reconciliation of Operating Income to Net Cash Used by Operating Activities:

Operating Income \$989,054

(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:

| | |
|---------------------|-------------|
| Accounts Receivable | 182,763 |
| Accounts Payable | (30,650) |
| Claims Payable | (130,338) |
| Unearned Revenue | (1,830,823) |

Total Adjustments (1,809,048)

Net Cash Used by Operating Activities (\$819,994)

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

Lawrence County Schools Council of Governments
Lawrence County
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

Note 1 – Description of Council of Governments and Reporting Entity

Description of the Entity

The Lawrence County Schools Council of Governments, Lawrence County, Ohio (the Council), formed effective October 1, 2011, is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Council Members that their agreements shall comply with section 9.833 of the Ohio Revised Code. The Council is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Council.

The Lawrence County Schools Council of Government is a legally separate Council. The Council is in a jointly governed organization with member governmental entities. The Council 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 Council.

The Council utilizes the Lawrence County Educational Service Center as its fiscal agent. The financial activity for the Council is reflected as a custodial fund of the fiscal agent.

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

Through April 30, 2024, the Council was a partially self-funded pool for health insurance (medical and prescription drug). The Council uses a third-party administrator to adjudicate claims, approve/deny claims according to the certificate of coverage, and reimburse medical/Rx providers. Anthem Blue Cross Blue Shield was the third-party administrator for medical insurance. ExpressScripts is the third-party administrator for Rx claims. To protect the Council from catastrophic claims, the Council purchased specific stop loss insurance for its medical/Rx plans. This coverage includes a specific stop loss limit of \$275,000 per subscriber with no maximum per subscriber per contract period. Unum is the stop loss provider through April 30, 2024. The Council also provides billing and collection services for dental premiums for members of the Council. The Council receives the billings from Guardian for each member and bills those members for the cost of providing the dental coverage. This coverage is not self-funded but covered through dental insurance premiums for participating members.

The Council administers the monthly billings and collections from council members. The Council uses Fishel, Downey, Albrecht & Riepenhoff LLP for management, bidding, and labor relations services. The Council utilized Marsh & McLennan Agency in relation to actuarial certification of reserves under Ohio Revised Code 9.833.

Effective May 1, 2024, the Council participates in the Jefferson Health Plan (the Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of over two hundred members, including multiple insurance consortiums. Each participant appoints a member of the Plan's assembly. The Plan's business and affairs are conducted by a nine-member Board of Directors elected from the assembly. The Plan offers medical, dental, vision and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$300,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$1,500,000, and all claims between the deductible and the \$1,500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. Anthem is the stop loss provider effective May 1, 2024.

All participants pay a funding rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding

Lawrence County Schools Council of Governments
Lawrence County
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

\$1,500,000, excess stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third-party administrative services.

Jefferson County Educational Service Center serves as fiscal agent of Jefferson Health Plan. To obtain financial information write to the Center at 2023 Sunset Boulevard, Steubenville, Ohio 43952.

To withdraw from the Health Benefit Program, the withdrawing member shall submit a written request to withdraw to the Board of Directors one year prior to the effective date, which shall be June 30th of the requested year. The Board of Directors may waive the one year written notice if they so desire. Upon withdrawal from the Health Benefits Program, a withdrawing Member of at least five (5) years shall be entitled to recover their net excess pooled share of the Operating Fund as of June 30th of the year the member is withdrawing. A withdrawing Member of less than five (5) five years shall not be entitled to recover the initial cost. The Fiscal Agent shall distribute their net pooled share to the withdrawing Member not earlier than 90 days and not later than 180 days following receipt of the withdrawing Member. All claims submitted by Covered Persons of the withdrawing Member after the recovery of funds shall be exclusively the liability of the withdrawing Member and the withdrawing Member specifically waives all claims and rights against the Operating Fund and the Health Benefits Program as a result of claims filed after such recovery of funds.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Council 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 Council'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:

Basis of Presentation

The Council'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 Council 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.

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. The statement of revenues, expenses and change in net position presents 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.

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 Council'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 Council 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 Council must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. Expenses are recognized at the time they are incurred.

Lawrence County Schools Council of Governments
Lawrence County
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

Cash and Investments

The Council's cash is held and invested by the fiscal agent, Lawrence County Educational Service Center, (the Service Center). The Service Center acts as the custodian for Council monies. The Council's assets are held by the Service Center in separate demand deposit accounts and STAR Ohio.

During fiscal year 2024, the Council's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Council measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced notice is appreciated for deposits and redemptions of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 Council or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

As of September 30, 2024, the Council had no net position considered to be restricted by enabling legislation.

Budgetary Process

The member governments of the Council are required by Ohio law to adopt an annual budget. The Council itself does not adopt a budget.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Council. For the Council, 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 Council, 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 nonoperating.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Payments made by member districts in September 2024 for invoices issued in September 2024 are for claims to be incurred after fiscal year end and are reported as unearned revenue at year end.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United

Lawrence County Schools Council of Governments
Lawrence County
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

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.

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.

Note 3 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council 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 Council 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 bonds and other obligations of political subdivisions of the State of Ohio;
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); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days 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.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council, 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

Lawrence County Schools Council of Governments
Lawrence County
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

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.

At September 30, 2024, the Council had a balance of \$1,154,255 with the Jefferson Health Plan, a claims servicing pool (see note 4). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,410,931, of the Council's bank balance of \$1,410,931 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the Federal Deposit Insurance Corporation.

The Council 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 Council 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.

Investments

The Council's investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

| <u>Investment</u> | <u>Amount</u> | <u>Maturity</u> | <u>S&P Rating</u> | <u>% of Portfolio</u> |
|-------------------|---------------|-----------------|---------------------------|---------------------------|
| STAR Ohio | \$4,884,670 | < 30 days | AAAm | 100% |

The Council categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. As discussed further in note 2, STAR Ohio is reported at its share price. The above table identifies the Council's recurring fair value measurements as of September 30, 2024. The Council's investment measured at fair value is valued using quoted market prices (Level 1 inputs).

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Although the Council does not have an investment policy, the Council manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Council limits their investments to STAR Ohio.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Council does not have an investment policy.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no investment policy dealing with investment custodial risk beyond the requirement in state

Lawrence County Schools Council of Governments
Lawrence County
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Note 4 – Risk Management

The Lawrence County Schools Council of Governments, Lawrence County, Ohio (the Council), is a Regional Council of Governments, governed by and construed in accordance with the laws of the State (Chapter 167 of the Ohio Revised Code), and it is the intention of the Council Members that their agreements shall comply with Section 9.833 of the Ohio Revised Code. The Council is established for the purpose of exercising the rights and privileges conveyed to it by the by-laws (agreement) of the Council.

The Council is governed by a Board of Directors, which selects qualified insurance companies that provide health insurance 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.

The Council is self-insured for health insurance and prescription drugs. Annual premiums are determined by a majority vote of the Directors. Effective May 1, 2024, the Council is a member of a claims servicing pool, consisting of approximately 95 school districts within the State, in which monthly premiums for the cost of claims are remitted to the fiscal agent, Jefferson Health Plan, who in turn pays the claims on the Council's behalf. The claims liability of \$2,488,951 reported in the financial statements at September 30, 2024 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," as amended by GASB Statement No. 30, "Risk Financing Omnibus." These standards require that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The estimate was not affected by incremental claim adjustment expense and does not include other allocated or unallocated claim adjustment expenses.

To withdraw from the Health Benefit Program, the withdrawing member shall submit a written request to withdraw to the Board of Directors one year prior to the effective date, which shall be June 30th of the requested year. The Board of Directors may waive the one year written notice if they so desire. Upon withdrawal from the Health Benefits Program, a withdrawing Member of at least five (5) years shall be entitled to recover their net excess pooled share of the Operating Fund as of June 30th of the year the member is withdrawing. A withdrawing Member of less than five (5) five years shall not be entitled to recover the initial cost. The Fiscal Agent shall distribute their net pooled share to the withdrawing Member not earlier than 90 days and not later than 180 days following receipt of the withdrawing Member. All claims submitted by Covered Persons of the withdrawing Member after the recovery of funds shall be exclusively the liability of the withdrawing Member and the withdrawing Member specifically waives all claims and rights against the Operating Fund and the Health Benefits Program as a result of claims filed after such recovery of funds.

Changes in claims activity for the current and prior fiscal year are as follows:

| | Balance at Beginning of Year | Current Year Claims | Claims Payments | Balance at End of Year |
|------|------------------------------------|------------------------|--------------------|---------------------------|
| 2024 | \$2,619,289 | \$22,897,944 | \$23,028,282 | \$2,488,951 |
| 2023 | 1,602,000 | 22,213,092 | 21,195,803 | 2,619,289 |

Note 5 – Shared Risk Pool

The Lawrence County Schools Council of Governments is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors; which consists of the superintendent from each participating members. The Council elects its officers for one-year terms to serve on the Board of Directors. The Board exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the Council.

Lawrence County Schools Council of Governments

Lawrence County

Notes to the Basic Financial Statements

For the Fiscal Year Ended September 30, 2024

Note 6 – Loss Reserve

The loss reserve for the Lawrence County Schools Council of Governments is not less than 20 percent nor more than 30 percent of claims paid for the preceding 12-month period that would not be covered by Aggregate Stop-Loss Insurance. At September 30, 2024, the reserve for health and prescription drug was \$2,488,951. The Council's excess cash balance over the reserve/surplus calculation at September 30, 2024 was \$4,960,905.

Required Supplementary Information

Lawrence County Schools Council of Governments
Lawrence County
Claims Development
For the Fiscal Years Ended September 30, 2015 through September 30, 2024

Claims Development Information

The following table illustrates how Lawrence County Schools Council of Governments' (Council) earned revenues and investment income compared to related costs of loss and other expenses assumed by the Council. 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 Council including overhead and claims expense not allocable to individual claims.
- 3) This section shows the Council'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 (line 4) to the amount originally established (line 3) and shows whether the cumulative claims cost is greater or less than originally projected. 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.

Lawrence County Schools Council of Governments
Lawrence County
Claims Development
For the Years Ended September 30, 2015 through September 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. Required contribution and investment revenues Earned (a) | \$24,864,787 | \$22,405,450 | \$19,284,002 | \$19,282,573 | \$19,916,049 | \$20,111,368 | \$19,935,347 | \$16,100,626 | \$15,778,276 | \$14,710,431 |
| 2. Unallocated expenses (a) | 691,286 | 1,798,214 | 2,154,283 | 1,918,024 | 1,896,842 | 1,902,226 | 2,147,865 | 751,074 | 398,160 | 1,103,588 |
| 3. Estimated claims for policy year: (b) Incurred | 23,514,711 | 20,905,413 | 18,600,000 | 18,433,401 | 18,870,059 | 19,214,110 | 17,094,621 | 16,306,043 | 16,087,222 | 13,534,259 |
| 4. Net paid claims as of: (b) | | | | | | | | | | |
| End of policy year | 14,238,544 | 15,185,729 | 14,799,809 | 15,614,979 | 16,103,765 | 12,269,181 | 10,855,630 | 12,515,679 | 15,429,196 | 12,788,919 |
| One year later | N/A | 974,432 | 961,880 | 1,389,943 | 417,763 | 3,696,462 | 1,981,716 | 1,842,736 | 2,888 | 1,003,636 |
| Two years later | N/A | N/A | 18,804 | 28,676 | 128,319 | (25,229) | 10,938 | 138,981 | 149,861 | 0 |
| 5. Increase (decrease) in net paid claims from estimated incurred claims for policy year. | (9,276,167) | (4,745,252) | (2,819,507) | (1,399,803) | (2,220,212) | (3,273,696) | (4,246,337) | (1,808,647) | (505,277) | 258,296 |

(a) Reported for fiscal year ended September 30 for each year.

(b) Report for policy year ended April 30 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.

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

Lawrence County Schools Council of Governments
304 North Second Street
Ironton, Ohio 45638

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 (*Government Auditing Standards*), the financial statements of Lawrence County Schools Council of Governments, Lawrence County, Ohio (the Council) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated July 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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.

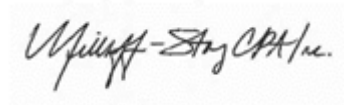
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

As part of obtaining reasonable assurance about whether the Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

July 9, 2025

OHIO AUDITOR OF STATE KEITH FABER



LAWRENCE COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

LAWRENCE 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 1/20/2026

65 East State 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