



# **Balestra, Harr & Scherer, CPAs, Inc.**

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY

REGULAR AUDIT

For the Years Ended June 30, 2011 and 2010  
Fiscal Years Audited Under GAGAS: 2011 and 2010





# Dave Yost • Auditor of State

Members of Council  
Scioto County Schools Council  
411 Court Street  
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Scioto County Schools Council, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Scioto County Schools Council is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 5, 2011

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**Scioto County Schools Council**  
*Table of Contents*  
*For the Fiscal Years Ended June 30, 2011 and 2010*

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<u>Title</u>	<u>Page</u>
Independent Auditor's Report .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances –For the Years Ended June 30, 2011 and 2010 .....	3
Notes to the Financial Statements.....	4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	7

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Scioto County Schools Council  
411 Court Street  
Portsmouth, Ohio 45662

To the Council:

We have audited the accompanying financial statements of Scioto County Schools Council, Scioto County, (the Council) as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Councils to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

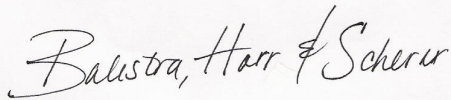
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2011 and 2010, or its changes in financial position or cash flows, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Scioto County Schools Council, Scioto County, as of June 30, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Independent Auditor's Report  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2011



**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash Receipts:</b>		
Charges for Insurance	\$15,820,653	\$13,986,189
Earnings on Investments	211,083	193,690
Total Cash Receipts	16,031,736	14,179,879
<b>Cash Disbursements:</b>		
Claims Payments	13,944,333	14,231,593
TPA Fees/Stop-Loss Premiums	850,390	421,165
Purchased Services	97,804	103,856
Total Cash Disbursements	14,892,527	14,756,614
Total Cash Receipts Over/(Under) Cash Disbursements	1,139,209	(576,735)
Cash Balance, July 1	5,661,392	6,238,127
<b>Cash Balance, June 30</b>	<b>\$6,800,601</b>	<b>\$5,661,392</b>

*The accompanying notes are an integral part of this statement.*

**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Scioto County Schools Council, Scioto County (the Council), a Regional Council of Governments organized under Ohio Revised Code Chapter 167, was created for the purpose of establishing and administering a cooperative health insurance program. The Council is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Board of Directors is the legislative and managerial body of the Council. The Board of Directors is composed of representatives from member school districts who have been appointed by their respective school district (normally the Superintendent).

The Board of Directors appoints a Board of Education of a member district, with the consent of the said Board of Education, as the Fiscal Agent for the Council. The Treasurer of the Fiscal Agent shall be the Treasurer of the Council. The South Central Ohio Educational Service Center serves as the Fiscal Agent for the Council.

The Council's management believes this financial statement presents all activities for which the Council is financially accountable.

**B. Basis of Accounting**

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

To improve cash management, all cash received by the Council is pooled. Monies are either maintained in one of two checking accounts or temporarily used to purchase short term investments. During fiscal years 2011 and 2010, investments were limited to U.S. Government Securities, Money Market Account, and STAROhio (the state investment pool).

**D. Fund Accounting**

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an enterprise fund to account for its operations. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010  
(Continued)**

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

The Council maintains a cash and investments pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	Average Maturity (Years)	2011	2010
Demand Deposits		\$2,238,010	\$1,194,117
Investments			
STAROhio	Less than 1	7,491	7,482
Money Market Account	Less than 1	46,199	31,025
U.S. Government Securities:			
Federal National Mortgage Association Bonds	1 to 5	3,027,113	4,228,768
Federal Home Loan Mortgage Corporation	1 to 5	800,000	-
Bonds			
Federal Home Loan Banks Bonds	1 to 5	681,788	200,000
Total Investments		4,562,591	4,467,275
Total Deposits and Investments		\$6,800,601	\$5,661,392

**Deposits:** Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Deposits not insured by the Federal Deposit Insurance Corporation are exposed to custodial credit risk. Custodial Credit Risk for deposits 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.

**Investments:** The Council's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in a physical or book entry form.

The Council's investments in the Money Market Account are unsecured.

The Council's investments in the U.S. Government Securities are secured by the securities purchased. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank Bonds are held in book-entry form by the Federal Reserve, in the name of the Educational Service Center.

**3. RISK MANAGEMENT**

The Council 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 Council, which is open to any board of education of any school district in the State of Ohio, is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance program that is adequate to meet the needs of each member school under its benefit plan for its employees. The Board of Directors also purchases stop loss coverage for claims in excess of a set amount both for individual claims and in the aggregate. At June 30, 2011 the attachment point for individual claims was \$250,000 for each covered individual. The aggregate attachment point is calculated based on the number of covered individuals. At June 30, 2011, the aggregate attachment point was \$1,557.28 per contract for medical coverage.

**SCIOTO COUNTY SCHOOLS COUNCIL  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010  
(Continued)**

**3. RISK MANAGEMENT (Continued)**

Each member of the Council is obligated to pay a fee based on an estimate of the member's share of the Council costs for the fiscal year. Included in this estimate are the claims by eligible employees which are payable by each member, the member's share of the health and dental insurance stop-loss premiums, and their proportionate share of the administrative cost of the Council.

Member schools may withdraw from the Council at the end of any fiscal year upon notification to the Fiscal Agent by September 15 in the fiscal year preceding the fiscal year in which the member will withdraw, and may be removed for failure to make the required payments. Upon withdrawal, the withdrawing member forfeits all funds paid into the Health Benefit Plan and shall assume and be responsible for payment of all claims of its eligible employees incurred through the withdrawal date.

**4. ACTUARIAL REPORT**

Actuarial Valuations of Claim Liability and Funded Status were performed for the years ended June 30, 2011 and 2010. The purpose of the valuations is to estimate claims that have been incurred, whether reported at June 30 or not, under the Scioto County Schools Council dental, health and prescription drug plans as of a valuation date, to compare its liability to funds reserved. Information regarding the funding status as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Cash and Investments at June 30	\$6,800,601	\$5,661,392
Actuarial Liability at June 30	<u>1,648,227</u>	<u>1,697,899</u>
Net Excess	<u>\$5,152,374</u>	<u>\$3,963,493</u>



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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Scioto County Schools Council  
Scioto County, Ohio  
411 Court Street  
Portsmouth, Ohio 45662

To the Council:

We have audited the financial statements of Scioto County Schools Council, Scioto County, (the Council) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 21, 2011 wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Scioto County Schools Council  
Scioto County, Ohio  
Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the Council, and others within the Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2011



# Dave Yost • Auditor of State

**SCIOTO COUNTY SCHOOLS COUNCIL**

**SCIOTO 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  
DECEMBER 20, 2011**