

**Brown County Schools Benefits Consortium**

Brown County

Regular Audit

July 1, 2004 through June 30, 2006

Fiscal Years Audited Under GAGAS: 2006 - 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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# Mary Taylor, CPA

Auditor of State

Brown County Schools Benefits Consortium  
325 West State Street  
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Brown County Schools Benefits Consortium, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2006. 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's Office (AOS). 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 AOS 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 AOS 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 Brown County Schools Benefits Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 9, 2007

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**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY, OHIO  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

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**Independent Auditor's Report**

Brown County Schools Benefits Consortium  
325 West State Street  
Georgetown, Ohio 45121

We have audited the accompanying financial statements of the Brown County Schools Benefits Consortium, Brown County, Ohio, (the Consortium) as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. 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 government 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

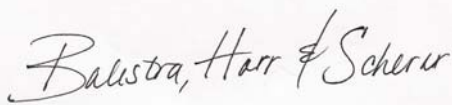
Revisions to GAAP require the Consortium to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. Instead of the funds accompanying financial statements presented for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Consortium does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Consortium has elected not to reformat its statements. Since the Consortium does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under 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 paragraph, the financial statements referred to above for the years ended June 30, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium's combined funds as of June 30, 2006 or 2005, or their changes in financial position 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 and reserves for encumbrances of the Consortium, as of June 30, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion & Analysis for the years ended June 30, 2006 and 2005. The Consortium has not presented Management's Discussion & 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2006, on our consideration of the Consortium 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.  
December 7, 2006

**BROWN COUNTY SCHOOL BENEFITS CONSORTIUM  
BROWN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$7,522,456	\$7,234,650
Total Operating Cash Receipts	7,522,456	7,234,650
<b>Operating Cash Disbursements:</b>		
Purchased Services	7,476,317	7,224,601
Total Operating Cash Disbursements	7,476,317	7,224,601
Operating Income/(Loss)	46,139	10,049
<b>Non-Operating Cash Receipts:</b>		
Interest	26,382	8,869
Total Non-Operating Cash Receipts	26,382	8,869
Net Receipts Over/(Under) Disbursements	72,521	18,919
Cash Balances, July 1	568,276	549,357
<b>Cash Balances, June 30</b>	<b>\$640,797</b>	<b>\$568,276</b>
Reserve for Encumbrances, June 30	\$43,033	\$23,513

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  
JUNE 30, 2006 AND 2005**

**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 is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws 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 primary purpose of establishing and carrying out a cooperative health program for its member governmental entities. The governing board consists of the superintendent or other designee appointed by each of the members of the Consortium.

The Consortium 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.

The Consortium is an insurance-purchasing pool for health insurance, and members are fully insured by Medical Mutual of Ohio who has full responsibility over claims. Medical Mutual of Ohio bills the consortium monthly for the premium payment.

The dental insurance plan is a self insurance pool sponsored by the Educational Service Center and administered by Coresource a third party administrator. Claims are made to Coresource by covered individuals. Coresource processes the claims, approves or denies, and makes payments to dental care providers. Coresource submits a list of claims paid to the Consortium, who in turn submits payments to Coresource. 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 district withdraws from the Consortium, it would not receive a refund of premiums paid to the consortium and it may not rejoin until three years from the effective date of its termination. New school districts may become members of the Consortium only upon the evaluation of approval by the Directors of the Consortium, which consists of the districts' Superintendents or their designees.

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005  
(Continued) 55**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments**

The Consortium's cash is held and invested by the Educational Service Center, (the Service Center), who acts as custodian for Consortium monies. The Consortium's assets are held in the Service Center's cash and investment pool consisting of demand deposits, certificate of deposit 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. However, the Educational Service Center's Board does follow the budgetary process for control purposes.

**2. CASH AND INVESTMENTS**

The Educational Service Center is the fiscal agent for the Consortium. The Educational Service Center maintains deposits and specific investments for the Consortium. The Ohio Rev. 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 was as follows:

	2006	2005
Cash:		
Demand deposits	\$581,991	\$411,812
Investments:		
Star Ohio	58,806	56,464
CD	0	100,000
Total Deposits and Investments	\$640,797	\$568,276

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**3. RISK MANAGEMENT**

The Brown County Schools Benefit Consortium is a regional council of government organized under Ohio Revised Code, Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The Consortium, which is open to any board of education of any school district in the State of Ohio, is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance program that is adequate to meet the needs of each member school under its benefit plan for its employees. The Board of Directors is composed of one representative from each member school.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005  
(Continued) 6**

**3. RISK MANAGEMENT (Continued)**

As of August 1, 2000 the Consortium became an insurance purchasing pool for medical insurance. The Consortium contracted with Medical Mutual of Ohio to provide fully funded medical insurance for its members. Each member district pays a fee based on their employee membership and related premiums.

The Consortium is also self insured for dental insurance. Membership rates are charged based claims approved the third party administrator (Coresource). 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.

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

Brown County Schools Consortium  
Brown County, Ohio  
325 West State Street  
Georgetown, Ohio 45121

We have audited the financial statements of the Brown County Schools Consortium (the Consortium), as of and for the years ended June 30, 2006 and 2005 and have issued our report thereon dated December 7, 2006, wherein we noted the Consortium follows the accounting practices prescribed or permitted by the Auditor of State instead of accounting practices 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters which we have reported to management in a separate letter dated December 7, 2006.

This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 7, 2006



Mary Taylor, CPA  
Auditor of State

**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  
FEBRUARY 22, 2007**