



**PREBLE COUNTY SCHOOLS
REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund – For the Fiscal Year Ended June 30, 2000	4
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund – For the Fiscal Year Ended June 30, 1999	5
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

Preble County Schools Regional Council of Governments
Preble County
101 East Main Street
Eaton, OHIO 45320-1793

To the Council of Governments:

We have audited the accompanying financial statements of the Preble County Schools Regional Council of Governments, Preble County, Ohio (the Council), as of and for the fiscal years ended June 30, 2000 and 1999. 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 generally accepted auditing standards 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 obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Council as of June 30, 2000 and 1999, and its combined cash receipts and disbursements for the fiscal years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2001 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 grants.

This report is intended solely for the information and use of the management, Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 30, 2001

This page intentionally left blank.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Cash Receipts:

Health Benefit Premium Deposits	<u>\$458,742</u>
Total Operating Cash Receipts	458,742

Operating Cash Disbursements:

Management Fees	4,475
Bank Fees	560
Audit Fees	<u>1,657</u>
Total Operating Cash Disbursements	<u>6,692</u>
Excess of Operating Cash Receipts Over Operating Cash Disbursements	452,050

Non-Operating Cash Receipts:

Interest	<u>112,269</u>
Total Non-Operating Cash Receipts	<u>112,269</u>
Excess of Receipts Over Disbursements	<u>564,319</u>

Fund Cash Balance, July 1, 1999	<u>1,754,277</u>
---------------------------------	------------------

Fund Cash Balance, June 30, 2000	<u><u>\$2,318,596</u></u>
---	----------------------------------

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

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Cash Receipts:

Health Benefit Premium Deposits	<u>\$161,375</u>
Total Operating Cash Receipts	161,375

Operating Cash Disbursements:

Medical Claims	107,873
Management Fees	4,036
Bank Fees	<u>566</u>

Total Operating Cash Disbursements	<u>112,475</u>
------------------------------------	----------------

Excess of Operating Cash Receipts Over Operating Cash Disbursements	48,900
--	--------

Non-Operating Cash Receipts:

Interest	<u>86,759</u>
----------	---------------

Total Non-Operating Cash Receipts	<u>86,759</u>
-----------------------------------	---------------

Excess of Receipts Over Disbursements	<u>135,659</u>
---------------------------------------	----------------

Fund Cash Balance, July 1, 1998	<u>1,618,618</u>
---------------------------------	------------------

Fund Cash Balance, June 30, 1999	<u><u>\$1,754,277</u></u>
---	----------------------------------

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

This page intentionally left blank.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Preble County Schools Regional Council of Governments, Preble County, Ohio (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 as defined by Chapter 167 of the Ohio Revised Code.

The Council is an insurance-purchasing public entity risk pool as defined by paragraphs 10 and 13b of the Governmental Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provision and administration of health care benefits for member employees and to promote cooperative programs, which may be approved in accordance with the Council by-laws.

The Council Governing Board is the legislative decision-making body of the Council and is comprised of the superintendent or executive officer from each member district. As of June 30, 2000 there were 6 members of the Council.

The Preble County Schools have agreed to an alternate funding arrangement for medical benefits. The program remains insured and is called Contingent Premium, which is a reduced pre-payment form of insurance with an annual settlement.

Funds received by the Council consist of medical premium rates for each of the member school districts' participating employees. Rates are contingent upon the level of claims utilization. The Council operates in the following manner:

1. Each member school district pays a monthly contingent premium rate to the insurance carrier for single and family units covered.
2. The Treasurer deposits the difference between the Risk Premium rate and the Contingent Premium rate into a Council bank account each month.
3. Within six months of the end of the contract renewal (March of each year) an annual settlement will be made which will compare the contingent premium, risk premium, incurred claims, retention charges and all other data required for settlement in determination of the liability, if any, to the insurance carrier. The Council's liability will be determined in the following manner:
 - A. If the incurred claims plus retention is greater than cumulative contingent premium, no payment shall be due from either party.
 - B. If the incurred claims plus retention is greater than the cumulative contingent premium, but less than the cumulative risk premium, the Council would pay the insurance carrier the difference between the incurred claims plus retention and the cumulative contingent premium.
 - C. If the incurred claims plus retention exceeds the cumulative risk premium, the Council shall pay the difference between the cumulative risk premium and the cumulative contingent premium, and the amount in excess of the risk premium shall become the liability of the insurance carrier.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Council Governing Board is the advisory body of the Council. It consists of the authorized representative of each member public school district, which is the superintendent or his/her designate. Among other responsibilities, the Governing Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Governing Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations related to member program costs and adjustments.

The Council Agreement can be terminated by two-thirds vote of the Governing Board. Upon such termination, the excess funds of any employee benefit trust, if any, left after payment of the obligations of such trust and the payment of the reasonable and necessary expenses incurred in termination of such trust, shall be used toward the initial cost of whatever insurance provider or insurance vehicle replaces such trust for each member district at the time of termination. Any such distributions for the benefit of a member district shall be in proportion to the total contributions made by such member district while a member of the Council to the total contributions made by all member districts while members of the Council.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

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 they are earned. Disbursements are recognized when they are 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.

C. CASH AND INVESTMENTS

The Council invested in STAROhio (the State Treasurer's investment pool), which is valued at amounts reported by the State Treasurer.

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 government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an Enterprise Fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charge; or (b) where the governing board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

2. CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2000 was as follows:

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Demand Deposits	\$0	\$4,240
Investments:		
StarOhio	<u>2,318,596</u>	<u>1,750,037</u>
Total Investments	<u>2,318,596</u>	<u>1,754,277</u>
Total Deposits and Investments	<u>\$2,318,596</u>	<u>\$1,754,277</u>

DEPOSITS

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

INVESTMENTS

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

3. RISK MANAGEMENT

The Council contracts with:

1. Advanced Benefit Planning, Inc., a consulting/brokerage firm to provide expertise in the area of health care benefits and funding arrangements with Anthem Blue Cross and Blue Shield;
2. Pohlman and Talmage, a local CPA firm to monitor the revenue and disbursements from all member districts in the Council's reserve account; and
3. Cobra Compliance, Inc., provides expertise in the are of federal Cobra legislation.

4. RISK LIABILITY

Contingent premium is a pre-payment form of insurance with an annual settlement. The member districts pay Anthem Blue Cross and Blue Shield 85% of the conventional fully insured rates with a maximum liability of 110% of the conventional fully insured rates. This alternate funding arrangement insured through Anthem Blue Cross and Blue Shield requires an annual settlement within six months of the contract renewal.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

4. RISK LIABILITY (Continued)

The amount of liability is pre-determined each contract year (September 1). The estimated liability for the contract year September 1, 1999 through August 31, 2000 is \$837,434 due in the spring of 2001; the estimated liability for the contract year September 1, 2000 through August 31, 2001 is \$1,018,975 due in the spring of 2002. These estimated liabilities are higher than in past year's due to increased claims utilization. The claims utilization has increased 17% over the past two years.

Since the Council's inception in September 1992, the reserve account has exceeded the estimated liability established by Anthem Blue Cross and Blue Shield.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Preble County Schools Regional Council of Governments
Preble County
101 East Main Street
Eaton, Ohio 45320-1793

To the Council of Governments:

We have audited the accompanying financial statements of the Preble County Schools Regional Council of Governments, Preble County, Ohio (the Council), as of and for the fiscal years ended June 30, 2000 and 1999, and have issued our report thereon dated January 30, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Council in a separate letter dated January 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Council'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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated January 30, 2001.

Preble County Schools Regional Council of Governments
Preble County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

January 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS

PREBLE 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
MARCH 6, 2001**