



**Auditor of State
Betty Montgomery**

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Proprietary Fund Type For the Year Ended June 30, 2002.....	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wayne County Schools Council
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Directors:

We have audited the accompanying financial statements of the Wayne County Schools Council, Wayne County, Ohio, (the Council) as of and for the year ended June 30, 2002. 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 *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 fund cash balance and reserve for encumbrances of the Council as of June 30, 2002, and its cash receipts and disbursements for the year 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 31, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2003

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>
Operating Cash Receipts:	
Health Benefit Premium Deposits	\$4,504,116
Miscellaneous	<u>100</u>
Total Operating Cash Receipts	<u>4,504,216</u>
Operating Cash Disbursements:	
Medical Claims	3,614,096
Administrative Fees	554,040
Other	<u>17,000</u>
Total Operating Cash Disbursements	<u>4,185,136</u>
Excess of Operating Cash Receipts Over Operating Cash Disbursements	<u>319,080</u>
Non-Operating Cash Receipts:	
Interest	<u>14,449</u>
Excess of Cash Receipts Over Cash Disbursements	333,529
Fund Cash Balance, July 1, 2001	<u>438,821</u>
Fund Cash Balance, June 30, 2002	<u><u>\$772,350</u></u>
Reserve for Encumbrances, June 30, 2002	<u><u>\$0</u></u>

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

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**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Wayne County Schools Council, Wayne County, Ohio, (the Council) is a body politic and corporate established to exercise 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 a shared risk pool as defined by 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 other cooperative programs which may be approved in accordance with the Council by-laws.

The Council Assembly is the legislative decision-making body of the Council and is comprised of the superintendent, treasurer, or executive officer from each member District. As of June 30, 2002, there were 5 members of the Council.

Members pay monthly premiums (program costs) that are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Claims are paid for all participants regardless of claims flow, resulting in a transfer of all risk.

The Board of Directors is the advisory body of the Council and is comprised of 5 individuals, including the Treasurer of the North Central Local School District who serves as the Chairman. Among other responsibilities, the Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations to the Council Assembly related to member program costs and adjustments.

The Council Agreement can be terminated by three-fourths vote of the participating members. Upon such termination, the net reserve balance will be transferred to the members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

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 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.

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. CASH AND INVESTMENTS

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

Investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as cash disbursements, and sales of investments are not recorded as cash receipts. Gains or losses at the time of sale are recorded as cash receipts or cash disbursements, respectively.

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 charges; or (b) where the governing body 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.

E. BUDGETARY PROCESS

The Council is not required to follow the budgetary process, but has decided to adopt a formal budget annually.

1. APPROPRIATIONS

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. ESTIMATED RESOURCES

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

3. ENCUMBRANCES

The Council reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 budgetary activity appears in Note 2.

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2002 is as follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$4,518,664	\$4,518,665	\$1

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$4,185,135	\$4,185,136	(\$1)

3. CASH AND INVESTMENTS

The Northwestern Local School District serves as the fiscal agent for the Council. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2002 was as follows:

Demand Deposits	\$72,898
STAROhio	<u>699,452</u>
Total Deposits and Investments	<u>\$772,350</u>

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

4. RELATED PARTY TRANSACTIONS

In consideration for its services, the Northwestern Local School District, as fiscal agent, may receive a fee from the Council in such an amount as approved by the Council Assembly. During the fiscal year ended June 30, 2002, \$5,500 of such fees were paid to the Northwestern Local School District by the Council.

5. RISK MANAGEMENT

The Council contracts with Medical Mutual Services Company, third party administrator, to process and pay health benefit claims incurred by its members. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums and administrative charges. During fiscal year 2002, the Council purchased specific stop-loss coverage of \$75,000 per individual and a maximum aggregate stop-loss coverage liability of 110% of the expected total claims for the group. The Council Treasurer makes monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of Council members.

WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

6. RISK MANAGEMENT (Continued)

Any rate increases/decreases from the stop-loss insurance carrier are passed on to Council participants through their individual participation rates negotiated with the stop-loss insurance carrier.

The Council reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities at June 30:

	<u>2002</u>
Cash and Investments	\$476,880
Actuarial liabilities	\$468,488



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Wayne County Schools Council
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Directors:

We have audited the accompanying financial statements of Wayne County Schools Council, Wayne County, Ohio, (the Council) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 31, 2003. We conducted our audit in accordance with auditing standards generally accepted by 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.

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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 certain 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 31, 2003.

Wayne County Schools Council
Wayne County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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Betty Montgomery
Auditor of State

January 31, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WAYNE COUNTY SCHOOLS COUNCIL

WAYNE 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
APRIL 3, 2003**