

**BROWN COUNTY SCHOOLS
BENEFITS CONSORTIUM
BROWN COUNTY, OHIO**

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Brown County School Benefits Consortium
9231 Hamer Road #B
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Brown County School Benefits Consortium, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. 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 Brown County School Benefits Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 04, 2021

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**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM
BROWN COUNTY, OHIO**

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Independent Auditor's Report

Brown County Schools Benefits Consortium
Brown County
9231 Hamer Road
Georgetown, Ohio 45121

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts, and disbursements and the related notes of the Brown County Schools Benefits Consortium, Brown County, Ohio, as of and for the fiscal year ended June 30, 2020.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Brown County Schools Benefits Consortium's preparation and fair presentation of the financial statement 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 Brown County Schools Benefits Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Basis for Adverse Opinion

As described in Note 1, the financial statement is prepared by the Brown County Schools Benefits Consortium using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires this statement to follow accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Brown County Schools Benefits Consortium, as of June 30, 2020, or changes in net position, or cash flows thereof for the fiscal year then ended.

Emphasis of Matter

As described in Note 6 to the financial statement, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Brown County Schools Benefits Consortium. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Brown County Schools Benefits Consortium'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 Brown County Schools Benefits Consortium'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 Brown County Schools Benefits Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 30, 2020

Brown County Schools Benefits Consortium
Brown County

Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
For the Fiscal Year Ended June 30, 2020

<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 18,080,738
	<hr/>
<i>Total Operating Cash Receipts</i>	18,080,738
<i>Operating Cash Disbursements:</i>	
Purchased Services	16,009,780
	<hr/>
<i>Total Operating Cash Disbursements</i>	16,009,780
	<hr/>
<i>Operating Cash Receipts Over Operating Cash Disbursements</i>	2,070,958
<i>Non-Operating Cash Receipts:</i>	
Interest	189,833
	<hr/>
<i>Total Non-Operating Cash Receipts</i>	189,833
	<hr/>
<i>Net Receipts Over Disbursements</i>	2,260,791
<i>Fund Cash Balances, July 1</i>	8,386,456
	<hr/>
<i>Fund Cash Balances, June 30</i>	\$10,647,247
	<hr/> <hr/>

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

Brown County Schools Benefits Consortium
Brown County
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2020

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 was established for the purpose of exercising the rights and privileges conveyed to it by the by-laws 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 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 statement included in this report represents all of the financial activity of the Consortium over which the Consortium has the ability to exercise direct operating control.

As of November 1, 2013, the Consortium is a self-insurance pool for health insurance (medical and prescription drug). The dental insurance plan is also a self-insurance pool. The Consortium uses third party administrators to process claims, approve and deny claims, and make payments to the providers. United Health Care is the third party administrator for health insurance and Dental Care Plus is the third party administrator for dental insurance. To protect the Consortium from catastrophic claims, the Consortium purchased excess stop loss insurance for its health plan. This coverage includes a maximum stop loss limit of \$200,000 per subscriber and aggregate stop loss of a maximum of \$1,000,000 per policy year. 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 member 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 and approval by the Directors of the Consortium, which consists of the member districts' superintendents or their designees.

B. Basis of Accounting

Although required by OAC 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the Consortium chose to prepare its financial report on the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. This 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Brown County Schools Benefits Consortium
Brown County
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

The Consortium's cash is held and invested by the Educational Service Center, who acts as custodian of the Consortium monies. The Consortium's assets are held in the Educational Service Center's cash and investment pool consisting of demand deposits 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.

2. Cash and Investments

The Educational Service Center is the fiscal agent for the Consortium. The Educational Service Center maintains specific deposits and investments for the Consortium. The Ohio Revised 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, 2020 was as follows:

Cash:	
Demand Deposits	\$10,646,782
Investments:	
STAR Ohio	465
Total Cash and Investments	<u>\$10,647,247</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized through 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.

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

3. Risk Management

A. Liability Insurance

The Brown County Schools Benefits Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2020, professional liability coverage was obtained by the Brown County Educational Service Center (the Educational Service Center), as the Consortium's fiscal agent on behalf of the Consortium, from the Argonaut Insurance Company with a \$5,000,000 aggregate limit.

The Liberty Mutual Insurance Company maintains a \$20,000 public official bond for the Treasurer. A \$100,000 blanket bond for other employees of the Educational Service Center is also maintained by the Argonaut Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from the last fiscal year.

Brown County Schools Benefits Consortium
Brown County
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2020

3. Risk Management (Continued)

B. Public Entity Shared Risk and Insurance Purchasing Pool

The Brown County Schools Benefits Consortium 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 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.

As of November 1, 2013, the Consortium became self-insured for medical insurance. Membership rates are charged based on claims approved by the third-party administrator (United Health Care). 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 remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

The Consortium is self-insured for dental insurance. Membership rates are charged based on claims approved by the third-party administrator (Dental Care Plus). 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.

4. Loss Reserve

Since the medical and dental programs are self-insured, the loss reserve must be equal to or less than the actual fund balance. The fund balance as of June 30, 2020 was \$10,647,247.

The loss reserve, certified by a statement of actuarial opinion provided by an actuary who is a member of the American Academy of Actuaries, for the fiscal year ended June 30, 2020 was \$1,139,000.

The medical and dental programs meet the loss reserve.

5. Noncompliance

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the Consortium chose to prepare its financial statements on the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. This is not in compliance with Ohio law.

6. COVID

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Consortium. The Consortium's investment portfolio is subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Consortium's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards

Brown County Schools Benefits Consortium
Brown County
9231 Hamer Road
Georgetown, Ohio 45121

To the Board of Directors:

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, the financial statement of the Brown County Schools Benefits Consortium, Brown County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statement, and have issued our report thereon dated November 30, 2020, wherein we issued an adverse opinion on the Brown County Schools Benefit Consortium's financial statement because the Brown County Schools Benefit Consortium did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03. Furthermore, as described in Note 6 to the financial statement, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Brown County Schools Benefits Consortium'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Brown County Schools Benefits Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brown County Schools Benefits Consortium'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 Brown County Schools Benefits Consortium's financial statement 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brown County Schools Benefits Consortium's financial statement is 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 statement. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Brown County Schools Benefit Consortium's Response to Finding

The Brown County Schools Benefit Consortium's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Brown County Schools Benefit Consortium's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 Brown County Schools Benefits Consortium'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 Brown County Schools Benefits Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
November 30, 2020

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM
BROWN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Noncompliance:

Ohio Administrative Code Section 117-2-03(B) requires the Consortium to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Consortium chose to prepare its financial report on the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. Failure to prepare a proper GAAP financial report may result in the Consortium being fined or other administrative remedies. We recommend the Consortium file on the GAAP basis of accounting in order to comply with the Ohio Administrative Code.

Client Response: Client believed it would not be cost beneficial to file on a GAAP basis.

**BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM
BROWN COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	Status	Additional Information
2019-001	2017	<u>Noncompliance</u> - Ohio Admin. Code § 117-2-03(B) requires the Consortium to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Consortium prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.	Not Corrected	Repeated as finding 2020-001 as the financial statement was prepared on a cash basis.

OHIO AUDITOR OF STATE KEITH FABER



BROWN COUNTY SCHOOLS BENEFITS CONSORTIUM

BROWN 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 3/16/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov