



Dave Yost • Auditor of State

**EMPLOYEE BENEFITS COOPERATIVE
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Employee Benefits Cooperative
Cuyahoga County
3201 Enterprise Parkway, Suite 450
Beachwood, Ohio 44112

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Employee Benefits Cooperative, Cuyahoga County, Ohio (the Cooperative) as of and for the years ended June 30, 2016 and 2015, and for the period July 1, 2016 through January 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited 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 us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Cooperative's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Cooperative's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Cooperative prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Cooperative does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Cooperative as of June 30, 2016, June 30, 2015 and January 31, 2017, or changes in financial position thereof for the years and period then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Employee Benefits Cooperative, Cuyahoga County, Ohio as of June 30, 2016, June 30, 2015 and January 31, 2017, and its cash receipts and disbursements for the years and period then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Board of Directors elected to cease and disband the Cooperative's operations as of January 31, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, on our consideration of the Cooperative'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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 Cooperative's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2017

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**EMPLOYEE BENEFITS COOPERATIVE
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE (CASH BASIS)
 GOVERNMENTAL FUND TYPE
 FOR THE PERIOD JULY 1, 2016 TO JANUARY 31, 2017**

	General
Cash Receipts	\$0
Cash Disbursements:	
Meetings Expenses	76
Total Cash Disbursements	76
Excess of Receipts Under Disbursements	(76)
Other Financing Uses:	
Refund to Member Districts	(54,554)
<i>Net Change in Fund Cash Balance</i>	(54,630)
Fund Cash Balance, July 1, 2016	54,630
Fund Cash Balance, January 31, 2017	
Unassigned	\$0

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

**EMPLOYEE BENEFITS COOPERATIVE
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE (CASH BASIS)
 GOVERNMENTAL FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2016**

	General
Cash Receipts:	\$0
Cash Disbursements:	0
<i>Net Change in Fund Cash Balance</i>	0
Fund Cash Balance, July 1, 2015	54,630
Fund Cash Balance, June 30, 2016	
Unassigned	\$54,630

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

**EMPLOYEE BENEFITS COOPERATIVE
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE (CASH BASIS)
 GOVERNMENTAL FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2015**

	General
Cash Receipts:	
Interest	\$12
Miscellaneous	3
	3
<i>Total Cash Receipts</i>	15
Cash Disbursements:	
Meetings Expenses	240
Legal Fees	5,829
Bank Fees	30
	30
Total Cash Disbursements	6,099
Excess of Receipts Under Disbursements	(6,084)
Other Financing Uses:	
Refund to Member Districts	(240,000)
	(240,000)
<i>Net Change in Fund Cash Balance</i>	(246,084)
Fund Cash Balance, July 1, 2014	300,714
Fund Cash Balance, June 30, 2015	
Unassigned	\$54,630

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

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Employee Benefits Cooperative
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015
and the Period July 1, 2016 through January 31, 2017

Note 1 - Reporting Entity

The Employee Benefits Cooperative, Cuyahoga County, Ohio, (the Cooperative) 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. An appointed 5 member Governing Board directs the Cooperative. The Cooperative was established as Council of Governments under Ohio Revised Code Section 167.04 by several school districts members to be used as a facilitator for obtaining lower pharmaceutical prices for its members self-fund health plans.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Cooperative's financial statements consist of a statement of receipts, disbursements and changes in fund balance (cash basis) for its governmental fund type.

Fund Accounting

The Cooperative uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All of the Cooperative's activities are reported in the following fund.

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Cooperative for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Cooperative recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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.

Deposits

The Cooperative's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Employee Benefits Cooperative
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015
and the Period July 1, 2016 through January 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Cooperative must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Cooperative classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can *commit* amounts via formal action (resolution). The Entity must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Entity Governing Board or an Entity official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Cooperative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Employee Benefits Cooperative
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015
and the Period July 1, 2016 through January 31, 2017

Note 3 – Deposits and Investments

The Cooperative maintains all its cash in demand deposit accounts which are insured by the Federal Deposit Insurance Corporation (FDIC)

Note 4 – Related Party Transactions

The Board determined the Cooperative was no longer able to obtain significant savings for its members than they could obtain individually by contracting with private sector suppliers. The Board of Directors elected to cease and disband the Cooperative's operations as of January 31, 2017

The Cooperative's remaining cash balances were refunded to its remaining members as follows:

<u>Member</u>	<u>Refunded Amount*</u>
Cleveland Heights – University Heights School District	\$98,185
Shaker Heights City School District	98,185
Euclid Heights City School District	98,185

* Includes \$80,000 in June 2015 and \$18,185 in January 2017

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Employee Benefits Cooperative
Cuyahoga County
3201 Enterprise Parkway, Suite 450
Beachwood, Ohio 44122

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Employee Benefits Cooperative, Cuyahoga County, Ohio, (the Cooperative) as of and for the years ended June 30, 2016 and 2015, and the period July 1, 2016 through January 31, 2017, and the related notes to the financial statements and have issued our report thereon dated August 21, 2017 wherein we noted the Cooperative followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, and the Board of Directors elected to cease and disband the Cooperative's operations as of January 31, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Cooperative's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Cooperative's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Cooperative'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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2017



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EMPLOYEE BENEFITS COOPERATIVE

CUYAHOGA 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
SEPTEMBER 12, 2017**