

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

*FOR THE PERIOD
JULY 1, 2017 THROUGH DECEMBER 27, 2017*



Dave Yost • Auditor of State

Board of Directors
Paulding County Schools Council Health Care Benefit Program
4915 US 127
Haviland, Ohio 45851

We have reviewed the *Independent Auditor's Report* of the Paulding County Schools Council Health Care Benefit Program, Paulding County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through December 27, 2017. 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 Paulding County Schools Council Health Care Benefit Program is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 15, 2018

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**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Basic Financial Statements:	
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Position - Cash Basis	3
Notes to the Basic Financial Statements	4 - 6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	7 - 8
Schedule of Findings and Responses.....	9
Summary Schedule of Prior Audit Findings.....	10

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Paulding County Schools Council Health Care Benefit Program
Paulding County
4915 US 127
Haviland, Ohio 45851

To the Board Members:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Paulding County Schools Council Health Care Benefit Program, Paulding County, Ohio, for the period July 1, 2017 through December 27, 2017, and the related notes to the financial statement, which collectively comprise the Paulding County Schools Council Health Care Benefit Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 Paulding County Schools Council Health Care Benefit Program'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 Paulding County Schools Council Health Care Benefit Program's internal control. Accordingly, we express no such 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 opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash financial position of the Paulding County Schools Council Health Care Benefit Program, Paulding County, Ohio, as of December 27, 2017, and the respective changes in cash financial position thereof for the period July 1, 2017 through December 27, 2017 in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Paulding County Schools Council Health Care Benefit Program to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Paulding County Schools Council Health Care Benefit Program has elected to dissolve operations effective December 20, 2017. All remaining cash and investments were disbursed to member districts. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of the Paulding County Schools Council Health Care Benefit Program'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 Paulding County Schools Council Health Care Benefit Program's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 25, 2018

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFITS PROGRAM
PAULDING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
JULY 1, 2017 THROUGH DECEMBER 27, 2017

Operating cash receipts:	
Insurance rebates	\$ 23,053
	23,053
Operating cash disbursements:	
Claims	926,892
Third party administration fees	10,000
Professional fees	1,779
Fiduciary fees	1,060
Miscellaneous	420
	940,151
Operating loss	(917,098)
Nonoperating cash receipts (disbursements):	
Interest	9,719
Assets disbursed to member districts	(658,634)
(Decrease) in fair value on investments	(5,996)
	(654,911)
Total nonoperating cash receipts (disbursements)	(654,911)
Change in net cash position	(1,572,009)
Net cash position, July 1	1,572,009
Net cash position, December 27	\$ -

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2017 THROUGH DECEMBER 27, 2017**

NOTE 1 - DESCRIPTION OF THE COUNCIL AND HEALTH PROGRAM

The Paulding County Schools Council (the "Council") was formed on October 1, 1993 as a Council of Governments established pursuant to Ohio Revised Code (ORC) Chapter 167. The Council of Governments is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council was formed for the purpose of promoting cooperative arrangements and agreements among its members and between its members to address problems of mutual concern. Members of the Council include the following three entities: Paulding County Exempted Village School District, Wayne Trace Local School District and Antwerp Local School District (the "Members").

The Council's fiscal year is a twelve month period beginning July and ending June 30. The governing body of the Council is a Board of Directors comprised of one representative from each Member. If the Member of the Council is a board of education, the Member's Superintendent shall serve as the representative. The Treasurer of the Council is appointed by the Board of Directors. The Paulding Exempted Village School District's Treasurer served as the Council's Treasurer during the period July 1, 2017 through December 27, 2017. The Treasurer's compensation is determined by the Board of Directors.

The Council established a Health Care Benefits Program (the "Health Program") for the provision of hospitalization, medical, dental and prescription drug insurance coverage for its Members eligible officers and employees and the eligible dependents of those officers and employees. The Health Program is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No. 30 and provides a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for its Members. The Board of Directors shall, among other things, (1) oversee the operation of the Health Program, (2) determine the types of benefits which may be made available to the Members through the Health Program, (3) select insurance carriers, claims administrators and/or reinsurance companies necessary for the provision of benefits under the Health Program, and (4) determine the total estimated program costs for the Health Program. The Treasurer of the Council is the fiscal officer for the Health Program. Any Member wishing to withdraw from the Health Program shall notify the Chairman of the Council no later than October 15 preceding the first day of the fiscal year in which the Member will withdraw. Upon withdrawal by a Member from the Health Program, the Board of Directors shall determine the amount of money on deposit in the Health program that is available to pay obligations of the withdrawing Member to the Health Program as of the date of withdrawal. Participation in the Council is by written application to the Chairman of the Board of Directors. After review of the application and other information, the Board of Directors will determine if the applicant should be included in the Council and Health Program.

The Council dissolved operations effective December 20, 2017 (See Note 6 for further detail).

The Health Program's management believes these cash basis financial statements present all activities for which the Health Program is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2017 THROUGH DECEMBER 27, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

The Health Program's financial statement consists of a statement of cash receipts, cash disbursements and changes in net cash position - cash basis.

B. Basis of Accounting

The Health Program's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Health Program's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The Health Program 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 Board of Directors has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

Operating cash receipts are those receipts that are generated directly from the primary activity of the Health Program. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of the Health Program. All cash receipts and cash disbursements not meeting this definition are reported as non-operating.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The Health Program did not have any investments as of December 27, 2017.

D. Budgetary Process

The Health Program is not required to follow the budgetary process by law; however, the Health Programs bylaws require that the Health Program's Treasurer deliver to each Member, on or before the 15th day of December, a copy of the estimated budget of the Health Program for the next fiscal year, evidencing each Member's share of that budget. The Board of Directors may amend the budget and appropriations of the Council throughout the fiscal year. The Board of Directors shall provide an updated budget to Members on or prior to June 30 of each year.

E. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Health Program had no restricted net cash position at fiscal year-end.

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2017 THROUGH DECEMBER 27, 2017**

NOTE 3 - RISK MANAGEMENT

The Health Program contracted with a third-party administrator, Anthem Blue Cross and Blue Shield, to process and pay medical, dental and prescription drug claims respectively incurred by its members. Members paid monthly premiums to the Health Program based upon an annual estimate determined by the Board of Directors. For the period July 1, 2017 through December 27, 2017, the Health Program Treasurer issued payments to Southwestern Ohio Educational Purchasing Council (EPC) for actual insurance claims processed, stop-loss premiums, and administrative charges.

The Health Program employed reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allowed the Health Program to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability. The Health Program's specific stop loss limit was \$75,000 with a specific stop loss maximum of \$1,000,000.

NOTE 4 – CONTRACTED SERVICES

The Health Program contracted with Huntington Insurance, Inc. to assist them in administering the Health Program.

NOTE 5 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the Health Program to prepare its annual financial report in accordance with GAAP. However, the Health Program prepared its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The Health Program can be fined and various other administrative remedies may be taken against the Health Program.

NOTE 6 - DISSOLVED OPERATIONS

The Board of Directors of the Health Program elected to dissolve operations December 20, 2017 due, in large part, to its member Districts switching to the Southwestern Ohio Educational Purchasing Council for risk management programs and other administrative services including medical and dental insurance coverages.

The Health Program's cash and investment balance at December 20, 2017 was \$659,314. All cash and investments remaining at December 20, 2017 were disbursed to member Districts by December 27, 2017.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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*

Paulding County Schools Council Health Care Benefit Program
Paulding County
4915 US 127
Haviland, Ohio 45851

To the Board Members:

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 Paulding County Schools Council Health Care Benefit Program, Paulding County, Ohio, for the period July 1, 2017 through December 27, 2017, and the related notes to the financial statements, which collectively comprise the Paulding County Schools Council Health Care Benefit Program's basic financial statements and have issued our report thereon dated April 25, 2018, wherein we noted the Paulding County Schools Council Health Care Benefit Program uses a special purpose framework other than generally accepted accounting principles. Furthermore, as discussed in Note 6, the Paulding County Schools Council Health Care Benefit Program has elected to dissolve operations effective December 20, 2017 and disburse all remaining cash and investments to member districts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Paulding County Schools Council Health Care Benefit Program's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Paulding County Schools Council Health Care Benefit Program'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 Paulding County Schools Council Health Care Benefit Program'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.

Board Members
Paulding County Schools Council Health Care Benefit Program

Compliance and Other Matters

As part of reasonably assuring whether the Paulding County Schools Council Health Care Benefit Program'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2018-001.

Paulding County Schools Council Health Care Benefit Program's Response to Finding

The Paulding County Schools Council Health Care Benefit Program's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Paulding County Schools Council Health Care Benefit Program's response and, accordingly, we express no opinion on it.

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 Paulding County Schools Council Health Care Benefit Program's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Paulding County Schools Council Health Care Benefit Program's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
April 25, 2018

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE PERIOD JULY 1, 2017 THROUGH DECEMBER 27, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Noncompliance

Ohio Rev. Code §117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code §117-2-03 further clarifies the requirements of Ohio Rev. Code §117.38.

Ohio Admin. Code §117-2-03(B) requires the Health Program to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Health Program prepared its financial statement and notes in accordance with the cash-basis of accounting, which is a comprehensive basis of accounting other than GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the Health Program being fined or other administrative remedies.

The Health Program should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: At this time the Health Program does not file based on the Generally Accepted Accounting Principles because of the increase of cost to the entity to prepare it and audit the report. The Board of Directors of the Health Program will reevaluate this decision annually.

**PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM
PAULDING COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE PERIOD JULY 1, 2017 THROUGH DECEMBER 27, 2017**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2017	<p><u>Noncompliance</u> - Ohio Rev. Code §117.38 provides each public office shall file a financial report for each fiscal year. Ohio Admin. Code §117-2-03 further clarifies the requirements of Ohio Rev. Code §117.38. Ohio Admin. Code §117-2-03(B) requires the Health Program to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Health Program prepared its financial statement and notes in accordance with the cash-basis of accounting, which is a comprehensive basis of accounting other than GAAP.</p>	Not Corrected	Finding repeated as 2018-001 as the report was filed on a cash basis.



Dave Yost • Auditor of State

PAULDING COUNTY SCHOOLS COUNCIL HEALTH CARE BENEFIT PROGRAM

PAULDING 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
MAY 29, 2018**