

VAN WERT AREA SCHOOLS
INSURANCE GROUP
VAN WERT COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Van Wert Area Schools Insurance Group
205 Donna K. Waldron Crawford Street
Van Wert, Ohio 45891

We have reviewed the *Independent Auditor's Report* of the Van Wert Area Schools Insurance Group, Van Wert County, prepared by Rea & Associates, Inc., for the audit period January 1, 2021 through December 31, 2021. 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 Van Wert Area Schools Insurance Group 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

June 27, 2022

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**VAN WERT AREA SCHOOLS INSURANCE GROUP
VAN WERT COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Van Wert Area Schools Insurance Group
Van Wert County, Ohio
15945 Middle Point Road
Van Wert, OH 45891

To the Board of Trustees:

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of the cash balances, receipts and disbursements for each proprietary fund type combined total of the Van Wert Area Schools Insurance Group, Van Wert County, Ohio (the Group), as of and for the year ended December 31, 2021, and related notes to the financial statements.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Financial Statements as a Whole* section of our report, the accompanying 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 Group, as of December 31, 2021, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Adverse Opinion on the Financial Statements as a Whole

As described in Note 1 of the financial statements, the financial statements are prepared by the Group on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America.

The effects on the financial statements 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 presumably material and pervasive.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Group, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Group's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, on our consideration of the Group'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. 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 Group'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 Group's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 13, 2022

Van Wert Area Schools Insurance Group
Van Wert County, Ohio
Combined Statement of Receipts, Disbursements and
Changes in Fund Cash Balances (Regulatory Cash Basis)
Enterprise Fund
For the Year Ended December 31, 2021

	Proprietary
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 8,486,132
Other	31,120
<i>Total Operating Cash Receipts</i>	8,517,252
Operating Cash Disbursements	
<i>Payments to Third-party Administrator</i>	
Claims	7,198,025
Administration Fees	283,729
Stop Loss Premiums	898,563
Professional Fees	89,238
Other	125,699
<i>Total Operating Cash Disbursements</i>	8,595,254
 <i>Operating Income (Loss)</i>	 (78,002)
Non-Operating Cash Receipts	
Investment Income	5,648
 <i>Net Change in Fund Cash Balances</i>	 (72,354)
 <i>Fund Cash Balances, January 1</i>	 7,182,634
 <i>Fund Cash Balances, December 31</i>	 \$ 7,110,280

See accompanying notes to basic financial statements.

Van Wert Area Schools Insurance Group

Van Wert County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Van Wert Area Schools Insurance Group (the Group) is a joint self-insurance pool established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Section 9.833. The Group is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees and covered dependents in accordance with the Group's agreement and bylaws. In addition to the self-insurance pool, the Group provides risk management service and established loss prevention procedures and programs. The members of the Group include the following Boards of Education within Van Wert County, State of Ohio: Van Wert City, Crestview Local, Lincolnview Local and Vantage Career Center, Northwest Ohio Area Computer Services Cooperative and Western Buckeye Educational Service Center, which serves Van Wert and Paulding County Boards of Education.

The Board of Trustees is the legislative and managerial body of the Group. This body consists of the representatives of the members based on a proportional numerical representation outlined in the Group's by-laws. Officers of the Group are elected from the Board of Trustees for a one year term.

Member premiums are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative costs of the Group and to create adequate reserves for claims and allocated loss adjustment costs.

Under the terms of membership, should annual member premiums not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative costs, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Group and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

The Group uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurance, although it does not discharge the primary liability of the Group as direct insurer of the risks reinsured. The Group is contingently liable with respect to certain loss coverage, which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

Members may withdraw from the Group or from any particular benefits program with at least 12 months notice. No members withdrew from the Group during 2021.

All administrative costs incurred for the maintenance of the Group are paid through the benefit pool account balances through December 31, 2021. Management believes these financial statements present all activities for which the Group is financially accountable.

B. Basis of Presentation

The Group's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types.

Van Wert Area Schools Insurance Group

Van Wert County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2021

C. Fund Accounting

The Group uses fund accounting to segregate cash and investments that are restricted as to use. The Group classifies its funds as follows:

Proprietary Fund

The Group's only proprietary fund is an enterprise fund. The Group uses an enterprise fund to account for operations 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 and services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. 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 Group recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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.

E. Budgetary Process

The Group is not required to follow the budgetary process and has decided not to adopt a formal budget annually as part of their amended agreement and bylaws.

F. Deposits and Investments

Investments are reported as assets and are carried at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses are recorded as receipts or disbursements when a sale occurs.

The Group values demand deposits, sweep accounts, and federal securities at cost.

During the year 2021, the Group invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Group measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Van Wert Area Schools Insurance Group

Van Wert County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2021

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Lincolnview Local School District (the School) is the fiscal agent for the Group. The School maintains specific deposits for the Group. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the Group's cash and investments at December 31, 2021 was as follows:

Demand Deposits	\$ 2,665,188
Federal Agency Securities	211,015
Certificates of Deposit	498,320
STAR Ohio	3,714,912
First Financial (Sweep)	<u>20,845</u>
Total Deposits and Investments	<u>\$ 7,110,280</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Group.

Investments: The Federal Reserve holds the Group's Federal Agency Securities in book entry form in the name of the Group's financial institution. The financial institution maintains records identifying the Group as owner of these securities. A financial institution's trust department holds the Group's equity securities in book entry form in the Group's name.

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

NOTE 3 - RISK MANAGEMENT

The Group has contracted with third-party administrator Anthem to process and pay health benefit claims incurred by its members. The members contribute monthly premiums into the benefit pool fund of the Group. The treasurer approves payments to the third-party administrators for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Group members. Besides the standard monthly contributions, the Group may extend an assessment to each member.

Members that withdraw from the Group are obligated for payment of any negative balance in their account and the remaining claims of any of its eligible members and dependents are the responsibility of each individual member upon withdrawal from the Group.

Van Wert Area Schools Insurance Group

Van Wert County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2021

NOTE 4 - CLAIMS LIABILITY

The Group receives an annual actuarial report that estimates an amount for the runoff liability for claims incurred but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 had been satisfied for the period ended December 31, 2021. The reported reserve fund available to pay the IBNR claims and the IBNR claim liability per the actuarial report at December 31, 2021:

Pooled Cash	\$ 7,110,280
IBNR Actuarial Liability	<u>935,800</u>
Excess Funds	<u>\$ 6,174,480</u>

NOTE 5 - PROFESSIONAL FEES

The Group is contracted with Huntington Insurance, Inc. to provide various management, underwriting, claim adjustments and loss control services. Huntington Insurance's fees for the year ended December 31, 2021 were \$54,975. The annual fee paid by the Group to its fiscal agent, Lincolnview Local School District, who is a member of the Group, was \$15,000.

NOTE 6 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the Group to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For 2021, the Group prepared financial statements that report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code, Section 117.38, the Group may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 7 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Group. The Group's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Group's future operating costs, revenues, and additional 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
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Van Wert Area Schools Insurance Group
Van Wert County, Ohio
15945 Middle Point Road
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial statements audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Van Wert Area Schools Insurance Group, Van Wert County, Ohio (the Group) as of and for the year ended December 31, 2021, and the related notes to the financial statements and have issued our report thereon dated June 13, 2022, wherein we issued an adverse opinion on the Group's financial statements because the Group did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03.

Report on Internal Control Over Financial Reporting

In planning our audit of the financial statements, we considered the Group'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 timely correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonably possibility that a material misstatement of the Group's financial statements 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 material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's financial statements are free of 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 statements. 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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-001.

Group's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Group's response to the finding identified in our audit and described in the accompanying schedule of findings. The Group's response was not subjected to the other auditing procedures applied in the audit of the financial statements 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 Group'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 Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 13, 2022

Van Wert Area Schools Insurance Group
Van Wert County, Ohio
Schedule of Findings
December 31, 2021

Finding Number: 2021-001 – Material Noncompliance

Criteria: Ohio Rev. Code Section 117.38 provides that 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 to the form utilized by the public office. Ohio Administrative Code Section 117-2-03(B) further clarifies the requirements of Ohio Rev. Code 117.38.

Condition: The Group did not prepare its financial statements in accordance with Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B).

Cause: For December 31, 2021, the Group prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities. The Group was required to prepare its annual report in accordance with generally accepted accounting principles (GAAP). The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, and disclosures that, while material, cannot be determined at this time.

Effect: Pursuant to Ohio Rev. Code Section 117.38, the Group may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Recommendation: We recommend the Group prepare its financial statements in accordance with Ohio Administrative Code and Ohio Revised Code.

Management's Response: The Group does not intend to develop a Corrective Action Plan or to report in accordance with generally accepted accounting principles (GAAP). Management believes the cost savings far outweighs reporting on GAAP.

Van Wert Area Schools Insurance Group
Van Wert County, Ohio
Summary Schedule of Prior Audit Findings
December 31, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Noncompliance with ORC 117.38 and OAC117-2-03(B)	Not Corrected	There is no intention of the Group to report the financial statements in accordance with generally accepted accounting principles (GAAP) due to the cost saving benefits of reporting on a regulatory basis.

Note: The Group does not have their own letterhead.

OHIO AUDITOR OF STATE KEITH FABER



VAN WERT AREA SCHOOLS INSURANCE GROUP

VAN WERT 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 7/7/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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