

**HANCOCK COUNTY SCHOOLS  
HEALTH BENEFIT FUND  
HANCOCK COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022**

***Zupka & Associates***  
Certified Public Accountants



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Hancock County Schools Health Benefit Fund  
7746 County Road 140  
Findlay, Ohio 45840

We have reviewed the *Independent Auditor's Report* of the Hancock County Schools Health Benefit Fund, Hancock County, prepared by Zupka & Associates, for the audit period October 1, 2021 through September 30, 2022. 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 Hancock County Schools Health Benefit Fund is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 13, 2023

**This page intentionally left blank.**

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

---

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-7
Statement of Net Position – Cash Basis	8
Statement of Receipts, Disbursements, and Change in Net Position – Cash Basis	9
Notes to the Basic Financial Statements	10-16
Required Supplemental Information: Loss Development Information	17
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Schedule of Findings and Recommendations	20
Schedule of Prior Audit Findings and Recommendations	21

**This page intentionally left blank.**

## INDEPENDENT AUDITOR'S REPORT

Hancock County Schools Health Benefit Fund  
Hancock County  
7745 County Road 140  
Findlay, Ohio 45840

To the Members of the Board of Trustees:

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the accompanying cash basis financial statements of the Hancock County Schools Health Benefit Fund, Hancock County, Ohio, (the Fund) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the Hancock County Schools Health Benefit Fund, as of September 30, 2022, and the changes in cash basis financial position thereof for the year ended in accordance with the cash basis of accounting described in Note 2.

#### ***Basis for Opinion***

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* (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 Fund, 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 audit opinion.

#### ***Emphasis of Matter – Accounting Basis***

Ohio Administrative Code Section 117-2-03(B) requires the Fund 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 of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; and for determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible 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 Fund'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 *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 Fund'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 Fund'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.



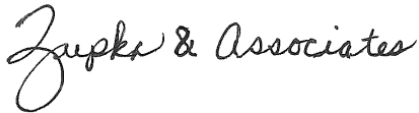
***Other Information***

We applied no procedures to management's discussion and analysis and the loss development information as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Fund'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 Fund's internal control over financial reporting and compliance.



Zupka & Associates  
Certified Public Accountants

March 24, 2023

*This page intentionally left blank.*

**HANCOCK COUNTY SCHOOL EMPLOYEES BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

---

The following report reflects on the financial condition of the Hancock County Schools Health Benefit Fund (the “Fund”) for the fiscal year ended September 30, 2022. Within the limitations of the Fund’s cash basis of accounting, this information is provided to enhance the information in the financial statements and the corresponding notes and should be reviewed in concert with the report.

***Financial Highlights***

Key financial highlights for fiscal year 2022 are as follows:

- Total operating receipts were \$12,337,871, representing contributions from nine Fund members during the period from October 1, 2021 through September 30, 2022.
- Total disbursements were \$12,715,255, with claims payments representing \$11,442,388, or 90 percent, administrative fees representing \$656,846, or 5 percent, insurance premium for coverage representing \$554,830, or 4 percent, professional and consulting and investment fee disbursements representing 1 percent.

***Using this Annual Report***

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Fund’s cash basis of accounting. This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Fund’s activities. The *Statement of Net Position – Cash Basis* and the *Statement of Cash Receipts, Disbursements, and Change in Net Position – Cash Basis* provide information about the activities of the Fund.

***Reporting the Fund’s Financial Activities***

*Statement of Net Position – Cash Basis and Statement of Cash Receipts, Disbursements, and Change in Net Position – Cash Basis*

These statements look at all financial transactions and ask the question, “How did we do financially during fiscal year 2022?” The *Statement of Net Position – Cash Basis* and the *Statement of Cash Receipts, Disbursements, and Change in Net Position - Cash Basis* answer these questions.

These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the cash actually received or paid within the current year. These two statements report the Fund’s net position and changes in that position on a cash basis. This change in net position is important because it tells the reader that, for the Fund as a whole, the cash basis financial position of the Fund has improved or diminished.

As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources and their related revenues (such as accounts receivable) and liabilities and deferred inflows of resources and their related expenses (such as claims payable) are not recorded in these cash basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**HANCOCK COUNTY SCHOOL EMPLOYEES BENEFIT FUND  
HANCOCK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

The table below provides a summary of the Fund's net position at September 30, 2022 and 2021.

**Table 1  
Net Position - Cash Basis**

	2022	2021
<b>ASSETS</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 410,531	\$ 800,693
<b>Total Assets</b>	<b>\$ 410,531</b>	<b>\$ 800,693</b>
<b>Net Position</b>		
Unrestricted	\$ 410,531	\$ 800,693
<b>Total Net Position</b>	<b>\$ 410,531</b>	<b>\$ 800,693</b>

Over time, net position can serve as a useful indicator of a government's financial position. At September 30, 2022, the Fund's net position totaled \$410,531.

The table below shows the change in net position for the fiscal year ending September 30, 2022 as compared to September 30, 2021. This will enable the reader to draw further conclusions about the Fund's financial status and possibly project future problems.

**Table 2  
Change in Net Position - Cash Basis**

	2022	2021
Total Operating Receipts	\$ 12,337,871	\$ 10,361,306
Total Operating Disbursements	12,715,255	11,789,497
Operating (Loss)/Income	(377,384)	(1,428,191)
Total Non-Operating Receipts	(12,778)	5,320
(Decrease) Increase in Net Position	<b>\$ (390,162)</b>	<b>\$ (1,422,871)</b>

From fiscal year 2021 to 2022, net position decreased \$390,162. This is down from fiscal year 2021 primarily due to disbursements exceeding receipts. Receipts decreased and disbursements increased due to consortium members implementing benefit changes that reduced their premium. Conversely, the consortium experienced higher claims payments impacted by increased prescription drug costs along with higher medical utilization. The consortium is actively reviewing options to control claims costs and determine proper funding levels.

***Current Financial Related Activities***

Effective October 1, 2022 Hancock County School Consortium joined the Jefferson Health Plan (larger pool) and now holds all reserve funds. Jefferson Health Plan was established in 1985. Jefferson Health Plan currently has 180 separate member entities with approximately 21,000 members. It is anticipated the larger pool will bring more claim stability to the Hancock County School Consortium. Lastly, Van Buren Local Schools dropped out of the Hancock County School Consortium effective October 1, 2022.

The Fund will continue to operate as a not-for-profit insurance group owned and operated by eight school districts in Hancock County, Ohio. The Fund's main source of receipts is premiums paid by the member school districts.

**HANCOCK COUNTY SCHOOL EMPLOYEES BENEFIT FUND  
HANCOCK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

---

The Fund is committed to providing its member districts with the advantages of a larger buying cooperative, while maintaining control at the local district leadership. Providing coverage for all County schools is a priority for the Fund and it is committed to managing the pool to protect the long-term financial interests of its members.

The Fund requires its members to participate in the medical/prescription insurance program with individual district choice as to participation in the vision/dental program. The Board of Trustees and its fund manager, continually discuss program enhancements, long-term viability and management risks inherent in these benefit programs.

Like all employer-sponsored health insurance programs, the Fund's most significant challenge is the current trend of double-digit increases in health care costs. As costs escalate, the Board is faced with the challenge of balancing the financial constraints facing Ohio's public school districts with offering a quality benefit program for its member's employees. This is further complicated by the fact that each school district in the Fund must collectively bargain benefit levels with the respective employee unions. Even with these challenges, a collective approach to managing health care within the Fund provides many advantages over individual management by school district.

***Contacting the Fund's Financial Management***

This financial report is designed to provide our member districts and citizens with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jeff Young, Chairman, Hancock County Educational Service Center, 7746 County Rd., Findlay, Ohio 45840.

**HANCOCK COUNTY SCHOOL EMPLOYEES BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**STATEMENT OF NET POSITION – CASH BASIS**  
**SEPTEMBER 30, 2022**

---

**ASSETS**

Equity in Pooled Cash and Cash Equivalents	\$ 410,531
<b>Total Assets</b>	<b>\$ 410,531</b>

**NET POSITION**

Unrestricted	\$ 410,531
<b>Total Net Position</b>	<b>\$ 410,531</b>

See accompanying notes to the basic financial statements.

**HANCOCK COUNTY SCHOOL EMPLOYEES BENEFIT FUND  
HANCOCK COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN  
NET POSITION – CASH BASIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

---

**OPERATING CASH RECEIPTS:**

Contributions from members	\$ 11,688,366
Insurance rebates and reimbursements	649,505
<b>Total Operating Cash Receipts</b>	<b>12,337,871</b>

**OPERATING CASH DISBURSEMENTS:**

Current:

Instruction:

Medical, dental and vision claim payments	11,442,388
Administrative fees	656,846
Insurance Premium for Coverages	554,830
Professional and consulting fees	57,931
Investment fees	3,260
<b>Total Operating Cash Disbursements</b>	<b>12,715,255</b>

**Operating Loss** (377,384)

**NON-OPERATING CASH RECEIPTS**

Investment Income	(12,778)
<b>Total Non-Operating Cash Receipts</b>	<b>(12,778)</b>

**Change in Net Position** (390,162)

Net Position, Beginning of Year	800,693
Net Position, End of Year	<b>\$ 410,531</b>

See accompanying notes to the basic financial statements.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

---

**NOTE 1: DESCRIPTION OF THE REPORTING ENTITY**

The Hancock County Schools Health Benefit Fund (the “Fund”) was created for the purpose of establishing and administering a cooperative health insurance program for school districts located in Hancock County, Ohio. The Fund is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Currently, the Fund has nine participating members: Hancock County Educational Service Center, Arcadia Local School District, Arlington Local School District, Blanchard Valley Center, Cory-Rawson Local School District, Liberty-Benton Local School District, McComb Local School District, Van Buren Local School District, and Vanlue Local School District.

Members pay monthly premiums that are placed in a common Trust Fund from which eligible claims are paid for member employees and their covered dependents. The Trust Fund is held by a Trustee, which holds, invests and reinvests all or part of the Fund.

The Fund’s management believes this financial statement presents all activities for which the Fund is financially accountable.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A, these financial statements are presented on a 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.

**A. Basis of Accounting**

The Fund’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Fund’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 deferred outflows of resources and their related revenues (such as accounts receivable) and certain liabilities and deferred inflows of resources and their related expenses (such as claims payable) are not recorded in these financial statements.



**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**  
**(CONTINUED)**

---

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Accounting** (Continued)

The Fund 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 and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

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

B. **Basis of Presentation**

For the fiscal year ended September 30, 2022, the Hancock County Schools Health Benefit Fund has elected to present the financial statements in the GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* format.

The Fund’s financial statements consist of a statement of net position – cash basis and a statement of cash receipts, disbursements and change in net position – cash basis. The statements includes adequate disclosure of material matters, in accordance with the basis of accounting described in preceding paragraphs.

C. **Cash and Cash Equivalents**

Investments of the Fund’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Fund are presented on the financial statements as cash equivalents. 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. Money market funds and federal agency securities are valued at cost.

D. **Budgetary Process**

The Fund is not required to follow the budgetary process by law, but it is incorporated in the bylaws that the Hancock County Consortium board approves the renewal every year effective October 1<sup>st</sup>, which is the budget for the coming plan year.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**  
**(CONTINUED)**

---

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Member Contributions**

Member districts contribute monthly premiums to the Consortium based upon amounts recommended by independent insurance consultants and approved annually by the Board of Trustees. The premiums are recorded and pooled by the Fund in a single fund from which eligible claims are paid for member district employees and their covered dependents. Each member district assumes the risks of all other members, to the extent contributions by that member district are paid into the Fund. The Fund tracks member district's contributions made to the single fund and the disbursements are paid for the member district's type of coverage.

F. **Net Position**

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

G. **Implementation of New Accounting Policies**

During the fiscal year, the Fund implemented the following Governmental Accounting Standards Board (GASB) Statements: GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. These changes were incorporated in the Fund's financial statements; however, there was no effect on the beginning net position.

NOTE 3: **DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Fund into three categories.

*Active deposits* are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

*Inactive deposits* are public deposits that the Fund has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

*Interim deposits* are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**  
**(CONTINUED)**

---

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Protection of the Fund's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal Home Loan Bank, Federal Farm Credit Bank. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Fund, and must be purchased with the expectation that it will be held to maturity.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**  
**(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

The Fund did not have any deposits at year end.

**Investments**

All investments are in an internal investment pool. The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The below tables identify the Fund’s recurring fair value measurement as of September 30, 2022. All investments of the Fund are valued using quoted market prices (Level 2 inputs). As of September 30, 2022, the Fund had the following investments:

	Cost	Maturities in Months (at Cost) <u>&lt;1 year</u>	Percentage of Total
Federated Money Market	\$ 410,531	\$ 410,531	100.00%
	<u>\$ 410,531</u>	<u>\$ 410,531</u>	<u>100.00%</u>

*Interest Rate Risk*

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Fund’s investment policy addresses interest rate risk by requiring that the Fund’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, “Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee.”

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**  
**(CONTINUED)**

---

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund's investment policy does not specifically address credit risk beyond requiring the Fund to only invest in securities authorized by State statute.

The money market account held with Federated has a credit rating of AAAM with Standard and Poor's and is held by the investment's counterparty and not in the name of the Fund.

*Concentration of Credit Risk*

The Fund places no limit on the amount it may invest in any one issuer. The above includes the percentage to total of each investment type held by the Fund at September 30, 2022.

NOTE 4: **RISK MANAGEMENT**

A. **Medical and Vision/Dental Benefits**

The Fund contracts with a third-party administrator, Mutual Health Services, Inc., to process and pay health claims and vision/dental claims incurred by its members. Members pay monthly premiums to the Fund, which are placed in a local bank account. The third-party administrator emails weekly invoices to the consortium chairman who approves payment and sends authorization to the trust administrator to make payment from the fund.

B. **Stop-Loss Coverage**

The Fund employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Fund to recover a portion of losses on claims from reinsurers, although it does not discharge their primary liability.

NOTE 5: **ACTUARIAL REPORT**

Actuarial valuations of claim liability and funded status were performed for the year ended September 30, 2022. The purpose of the valuations is to estimate claims that have been incurred, whether reported or not, under the Fund as of the valuation date, and to compare its liability to funds reserved. Information regarding the financial status as of September 30, 2022 and 2021 is as follows:

	2022	2021
Cash and Investments	\$ 410,531	\$ 800,693
Actuarial Liability	460,212	827,182
Net Surplus/(Deficit) of Cash Reserves	\$ (49,681)	\$ (26,489)

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND  
HANCOCK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022  
(CONTINUED)**

---

**NOTE 6: CONTRACTED SERVICES**

During fiscal year 2022, the Fund contracted with Stapleton Insurance Group to provide services and advice for insurance funds that include medical, prescription drugs and dental. Contracts also exist with Express Scripts and Quantum Health for prescription and disease management administration, respectively.

**NOTE 7: RESERVES FOR CLAIMS LOSSES**

Hancock County Schools Health Benefit Fund, under its terms of membership, shall establish adequate reserves for claims and unallocated loss adjustment expenses. In fiscal year 2022, the Loss Reserve decreased \$827,182 to \$460,212. The estimated expenses that have been incurred but not recorded represent 4.02 percent of the incurred and paid claims for fiscal year 2022. Total expenses for the year ended September 30, 2022 were approximately \$12.7 million.

The Fund also has a fluctuation reserve in excess of current liabilities established to neutralize the impact of claim level fluctuations not covered by insurance. The fluctuation reserve for fiscal year 2022 is a deficit of \$49,681.

The total reserve for claim loss for fiscal year 2022, including the loss reserve and fluctuation reserve is \$410,531.

Changes in the Fund’s reserve for claims losses amount for the two previous fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2021	\$ 2,211,275	\$ 9,116,643	\$ 10,500,736	\$ 827,182
2022	\$ 827,182	\$ 11,075,418	\$ 11,442,388	\$ 460,212

**NOTE 8: COMPLIANCE**

Ohio Administrative Code Section 117-2-03 (B) requires the Fund to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Fund prepared 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. The accompanying financial statements omit certain assets, liabilities, net position, and disclosures that, while material, cannot be determined at this time. The Fund can be fined and various other administrative remedies may be taken against the Fund.

**NOTE 9: SUBSEQUENT EVENTS**

Van Buren dropped out of the consortium effective October 1, 2022.

Effective October 1, 2022 Hancock County School Consortium joined the Jefferson Health Plan (larger pool) and now holds all reserve funds.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**HANCOCK COUNTY, OHIO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LOSS DEVELOPMENT INFORMATION**  
**LAST TEN FISCAL YEARS**

	<u>10/1/2012 -</u> <u>9/30/2013</u>	<u>10/1/2013 -</u> <u>9/30/2014</u>	<u>10/1/2014 -</u> <u>9/30/2015</u>	<u>10/1/2015 -</u> <u>9/30/2016</u>	<u>10/1/2016 -</u> <u>9/30/2017</u>	<u>10/1/2017 -</u> <u>9/30/2018</u>	<u>10/1/2018 -</u> <u>9/30/2019</u>	<u>10/1/2019 -</u> <u>9/30/2020</u>	<u>10/1/2020 -</u> <u>9/30/2021</u>	<u>10/1/2021 -</u> <u>9/30/2022</u>
<b>Premiums and Investment revenue:</b>										
Earned	\$ 7,795,539	\$ 8,447,808	\$ 7,911,302	\$ 8,248,915	\$ 8,355,905	\$ 8,831,444	\$ 8,977,982	\$ 10,512,504	\$ 9,766,763	\$ 11,675,588
Ceded	(264,062)	(283,444)	(279,977)	(312,200)	(337,307)	(343,940)	(357,737)	(503,469)	(657,037)	(554,830)
<b>Net Earned</b>	<u>7,531,477</u>	<u>8,164,364</u>	<u>7,631,325</u>	<u>7,936,715</u>	<u>8,018,598</u>	<u>8,487,504</u>	<u>8,620,245</u>	<u>10,009,035</u>	<u>9,109,726</u>	<u>11,120,758</u>
<b>Unallocated Expenses</b>	647,720	735,589	818,897	634,320	733,522	678,111	682,409	771,643	631,724	718,037
<b>Estimated losses and Expenses, end of accident year:</b>										
Incurred	6,605,180	6,908,014	7,225,688	7,526,662	8,233,286	9,108,615	9,330,675	9,777,564	9,116,643	11,075,418
Ceded	-	-	(15,967)	-	-	-	-	-	-	-
<b>Net incurred</b>	<u>6,605,180</u>	<u>6,908,014</u>	<u>7,209,721</u>	<u>7,526,662</u>	<u>8,233,286</u>	<u>9,108,615</u>	<u>9,330,675</u>	<u>9,777,564</u>	<u>9,116,643</u>	<u>11,075,418</u>
<b>Net Paid Cumulative as of:</b>										
End of accident year	6,023,129	6,520,493	6,551,842	6,675,542	7,467,864	8,062,863	8,486,162	7,822,259	9,155,225	9,977,270
One year later	6,609,586	7,094,878	7,311,931	7,073,289	8,546,968	8,616,101	9,643,601	9,167,770	10,620,343	
Two years later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676	8,632,156	9,659,656	9,167,770		
Three year later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676	8,632,156	9,659,656			
Four years later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676	8,632,156				
Five years later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676					
Six years later	6,605,507	7,114,510	7,497,912	7,101,718						
Seven years later	6,605,507	7,114,510	7,497,912							
Eight years later	6,605,507	7,114,510								
Nine Years later	6,605,504									
<b>Re-estimated ceded losses and expenses</b>	-	-	(15,967)	-	-	-	-	-	-	-
<b>Re-estimated net incurred losses and expenses:</b>										
End of accident year	6,605,180	6,908,014	7,209,721	7,526,662	8,233,286	9,108,615	9,330,675	9,777,564	9,116,643	11,075,418
One year later	6,609,586	7,094,878	7,311,931	7,073,289	8,546,968	8,616,101	9,643,601	9,167,770	-	
Two years later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676	8,632,156	9,659,656	9,167,770		
Three year later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676	8,632,156	9,659,656			
Four years later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676	8,632,156				
Five years later	6,605,507	7,114,510	7,497,912	7,101,718	8,867,676					
Six years later	6,605,507	7,114,510	7,497,912	7,101,718						
Seven years later	6,605,507	7,114,510	7,497,912							
Eight years later	6,605,507	7,114,510								
Nine years later	6,605,507									
<b>Change in net incurred losses and expenses</b>	327	206,496	288,191	(424,944)	634,390	(476,459)	328,981	(609,794)	(9,116,643)	n/a



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Hancock County Schools Health Benefit Fund  
Hancock County  
7745 County Road 140  
Findlay, Ohio 45840

To the Members of the Board of Trustees:

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 statements of the Hancock County Schools Health Benefit Fund, Ohio (the Fund), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated March 24, 2023, wherein we noted that the Fund uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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 to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



### **Report on Compliance and Other Matters**

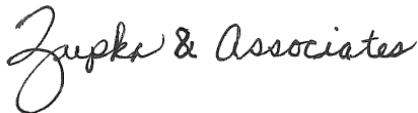
As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding **2022-001**.

### **Hancock County Schools Health Benefit Fund's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Fund'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 the response.

### **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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zupka & Associates  
Certified Public Accountants

March 24, 2023

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND  
HANCOCK COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2022**

---

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED  
IN ACCORDANCE WITH GAGAS**

**Finding 2022-001 - Noncompliance Finding – Annual Financial Report**

Condition and Criteria

Ohio Revised 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 on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the Fund to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Fund prepares its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles.

Effect

The accompanying financial statements and footnotes omit assets, liabilities, net position, and disclosures that, while material cannot be determined at this time. Pursuant to the Ohio Revised Code Section 117.38, the Fund may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

Recommendation

We recommend the Fund take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

Entity Response

The Fund intends to continue to prepare cash statements in order to save money.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND  
HANCOCK COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2022**

---

The prior issued audit report, as of September 30, 2021, included a noncompliance finding.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2021-001	Annual Financial Report	Not corrected	Reissued as Finding Number 2022-001.

The prior audit report, as of September 30, 2021, included no management letter recommendations.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**

**HANCOCK 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 5/4/2023**

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](http://www.ohioauditor.gov)