

HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Hancock County Schools Health Benefit Fund, Hancock County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period October 1, 2007 through September 30, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 2, 2009

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hancock County Schools Health Benefit Fund
Findlay, Ohio

We have audited the accompanying financial statements of cash receipts, cash disbursements, and changes in fund cash balances of Hancock County Schools Health Benefit Fund (the Fund) as of and for the years ended September 30, 2008 and 2007. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Fund has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fund as of September 30, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the statements of cash receipts, cash disbursements, and changes in fund cash balances of Hancock County Schools Health Benefit Fund for the years ended September 30, 2008 and 2007 on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Fund to include Management's Discussion and Analysis for the years ended September 30, 2008 and 2007. The Fund has not presented Management's Discussion and Analysis and Claims Development Information, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 21, 2009 on our consideration of the Hancock County Schools Health Benefit Fund'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Gilmore, Jason & Mahler, LTD

July 21, 2009

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND
STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
For the Years Ended September 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash receipts		
Participant contributions	\$ 8,769,047	\$ 7,097,437
Insurance reimbursements	37,609	340,869
Investment income	26,482	39,158
Total cash receipts	<u>8,833,138</u>	<u>7,477,464</u>
Cash disbursements		
Medical, dental and vision claim payments	7,049,794	7,344,179
Administration fees	124,329	123,770
Stop loss insurance payments	387,835	365,415
Consulting fees	33,583	28,417
Professional fees	20,401	10,734
Investment fees	1,959	2,316
Total cash disbursements	<u>7,617,901</u>	<u>7,874,831</u>
Excess (deficiency) of cash receipts over cash disbursements	1,215,237	(397,367)
Fund cash balances, beginning of the year	<u>565,366</u>	<u>962,733</u>
Fund cash balances, end of the year	<u>\$ 1,780,603</u>	<u>\$ 565,366</u>

The accompanying notes are an integral part of this financial statement.

HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

Note 1-Summary of significant accounting policies

Description of the 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 Board of Education, Arcadia Local School District, Arlington Local School District, Blanchard Valley Local School District, Cory-Rawson Local School District, Liberty-Benton School District, McComb 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.

Basis of accounting

The financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Cash and investments

To improve cash management, all cash received by the Fund is pooled. Monies are maintained in two checking accounts and a sweep account. During 2008 and 2007, investments were limited to money market deposits, certificates of deposit, and U.S. Government Securities. Investments are stated at fair market value. See Note 2 for additional disclosures.

HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND
NOTES TO FINANCIAL STATEMENTS-CONTINUED
September 30, 2008 and 2007

Note 2-Cash and investments

The Fund maintains demand deposits and investments. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at September 30, 2008 and 2007 was as follows:

	2008	2007
Demand deposits	\$ 1,129,468	\$ 83,684
Money market accounts	651,135	377,542
Investments:		
Federal Home Loan Bank	0	101,928
Federal Farm Credit Bank	0	2,212
Total investments	0	104,140
Total deposits, money market accounts and investments	\$ 1,780,603	\$ 565,366

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 demand deposits and money market accounts are uncollateralized. The Fund maintains deposits in federally insured financial institutions. At times these deposits exceed federally insured limits of \$100,000; however, management monitors the soundness of these financial institutions and believes the Fund’s risks are negligible.

The Federal Home Loan Bank and the Federal Farm Credit Bank are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty. The Fund has no investment policy dealing with investment custodial risk beyond the requirement in state statute.

Credit Risk – The Federal Home Loan Bank, Federal Farm Credit Bank, and Federated Prime Obligations Fund carry a rating of Aaa by Moody’s and AAA by Standard and Poor’s.

Concentration of Credit Risk – The Fund places no limit on the amount it may invest in any one issuer. The Fund’s investments in money market accounts individually exceed 5% of the Fund’s total investments in 2008 and 2007. The Federal Home Loan Bank investment individually exceeded 5% of the Fund’s total investments in 2007.

Interest Rate Risk – The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At September 30, 2008 and 2007, investment maturities were limited as follows:

Maturity	Maximum investment
One to five years	100%

HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND
NOTES TO FINANCIAL STATEMENTS-CONTINUED
September 30, 2008 and 2007

Note 3-Risk management

The Fund, which is open to any board of education of any school district in Hancock County of Ohio, is governed by a Board of Trustees. The Board of Trustees selects qualified insurance companies to provide the health insurance program with adequate coverage to meet the needs of each member under its benefit plan for its employees. The Board of Trustees also purchases stop loss coverage for claims in excess of a set amount both for individual claims and in the aggregate. At September 30, 2008 and 2007, the attachment point for individual claims was \$100,000 for each covered individual. The aggregate deductible for the year ended September 30, 2008 was the greater of \$7,687,815 or a computed minimum aggregate deductible per covered unit as defined by the policy terms. The aggregate deductible for the year ended September 30, 2007 was the greater of \$7,715,461 or a computed minimum aggregate deductible per covered unit as defined by the policy terms.

Each member of the Fund is obligated to pay a fee based on an estimate of the member's share of the Fund costs for the fiscal year. Included in this estimate are the claims by eligible employees which are payable by each member, the member's share of the health, dental, vision, and stop-loss insurance premiums, and their proportionate share of the administrative cost of the Fund.

Member schools may terminate participation in the Fund upon written notification to the Administrative Committee delivered at least sixty days prior to the annual renewal date of the policy, and may be removed for failure to make the required payments. Upon termination of a member school, such member school shall be responsible for prompt payment of all claims of its eligible employees accruing as a result of such termination.

Note 4-Actuarial report

Actuarial valuations of claim liability and funded status were performed for the years ended September 30, 2008 and 2007. The purpose of the valuations is to estimate claims that have been incurred, whether reported at September 30, 2008 and 2007, or not, under the Fund as of the valuation date, and to compare its liability to funds reserved. Information regarding the funding status as of September 30, 2008 and 2007 is as follows:

	2008	2007
Cash and investments	\$ 1,780,603	\$ 565,366
Actuarial liability	1,264,920	1,313,430
Net surplus (deficit) of cash reserves	\$ 515,683	\$ (748,064)

The Fund experienced greater than expected claims during the year ended September 30, 2007, which resulted in an actuarially determined net deficit of cash reserves at September 30, 2007. The Fund increased participant contributions and instituted wellness programs for enrollees in an effort to help control claims in the future.



GILMORE, JASION & MAHLER, LTD

**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***

Board of Trustees
Hancock County Schools Health Benefit Fund
Findlay, Ohio

We have audited the financial statement of the Hancock County Schools Health Benefit Fund (the Fund) as of and for the year ended September 30, 2008, and have issued our report thereon dated July 21, 2009, wherein we noted the Fund followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in United States of America. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County Schools Health Benefit Fund 's internal control over financial reporting as a basis for designing our auditing procedures 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 Hancock County Schools Health Benefit Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hancock County Schools Health Benefit Fund 's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices that the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hancock County Schools Health Benefit Fund'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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Fund's members, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

July 21, 2009



Mary Taylor, CPA
Auditor of State

HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND

HANCOCK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 15, 2009**