

***NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS***

**SENECA COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended June 30, 2017**







# Dave Yost • Auditor of State

Board of Trustees  
North Central Ohio Trust Regional Council of Governments  
928 W. Market Street  
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the North Central Ohio Trust Regional Council of Governments, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North Central Ohio Trust Regional Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 29, 2018

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**NORTH CENTRAL OHIO REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2017**

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***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

North Central Ohio Trust Regional  
Council of Governments  
Seneca County  
928 W Market Street  
Tiffin, Ohio 44883

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Central Ohio Trust Regional Council of Governments, Seneca County, Ohio (the Consortium), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Consortium's preparation and fair presentation of the financial statements 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 Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Central Ohio Trust Regional Council of Governments, Seneca County, Ohio, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.


**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Four-Year Loss Development Information Schedule (the Schedule) on pages 3–6 and 20–21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, on our consideration of the North Central Ohio Trust Regional Council of Governments, Seneca County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Consortium's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
October 23, 2017



**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

The management's discussion and analysis of the North Central Ohio Trust Regional Council of Governments (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was \$651,633 at June 30, 2017. This represents a decrease of \$505,298, or 43.68%, from June 30, 2016's net position.
- The Consortium had operating revenues of \$8,746,915 and operating expenses of \$9,253,734 for fiscal year 2017. The Consortium had \$1,521 in interest revenue earned on the Consortium's investments. Operating loss and the decrease in net position for the fiscal year was \$506,819 and \$505,298, respectively.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consortium's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Consortium.

**Reporting the Consortium Financial Activities**

***Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Consortium's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 7-8 of this report.

The statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-17 of this report.

**NORTH CENTRAL OHIO TRUST REGIONAL  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

***Required Supplementary Information***

Four years of loss development information can be found on pages 20-21 of this report.

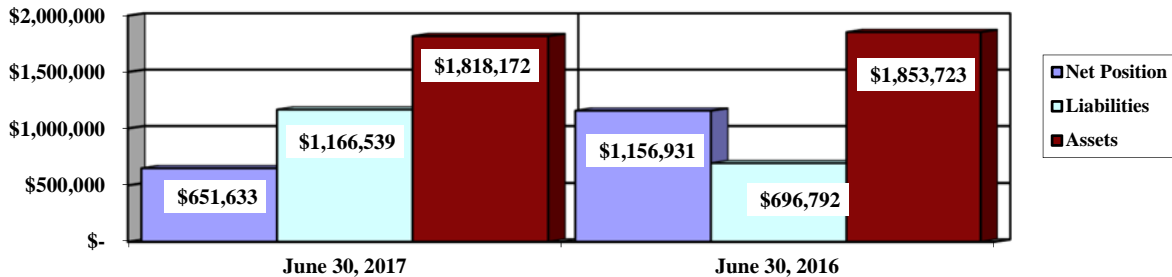
**Net Position and Changes in Net Position**

The table below provides a summary of the Consortium's net position at June 30, 2017 and June 30, 2016.

<b>Net Position</b>		
	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Cash and cash equivalents with fiscal agent	\$ 1,659,440	\$ 1,818,469
Receivables (net of allowance for uncollectibles):		
Stop loss reimbursements	3,829	34,110
Prepayments	<u>154,903</u>	<u>1,144</u>
Total assets	<u>1,818,172</u>	<u>1,853,723</u>
<b><u>Liabilities:</u></b>		
Accounts payable	33,790	3,715
Claims payable	629,599	692,391
Unearned revenue	<u>503,150</u>	<u>686</u>
Total liabilities	<u>1,166,539</u>	<u>696,792</u>
<b><u>Net Position:</u></b>		
Unrestricted	<u>651,633</u>	<u>1,156,931</u>
Total net position	<u>\$ 651,633</u>	<u>\$ 1,156,931</u>

The assets of the Consortium are comprised mainly of cash and cash equivalents that are held with the Consortium's fiscal agent, the North Central Ohio Educational Service Center. Liabilities of the Consortium are mainly claims payable related to medical, prescription, dental and vision incurred but not reported (IBNR) claims outstanding at fiscal year-end and unearned revenue for member premiums received early.

The chart below shows a breakdown of the Consortiums assets, liabilities and net position at June 30, 2017 and June 30, 2016.



**NORTH CENTRAL OHIO TRUST REGIONAL  
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SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

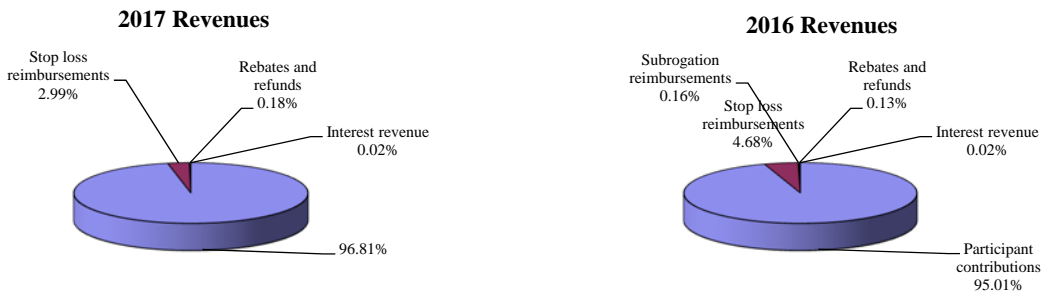
The table below shows the changes in net position for fiscal year 2017 and 2016.

**Change in Net Position**

	<u>2017</u>	<u>2016</u>
<u>Operating Revenues:</u>		
Participant contributions	\$ 8,469,841	\$ 7,943,839
Stop loss reimbursements	261,306	391,098
Subrogation reimbursements	-	12,984
Rebates and refunds	15,768	10,555
Total operating revenue	<u>8,746,915</u>	<u>8,358,476</u>
<u>Operating Expenses:</u>		
Claims	7,054,136	6,051,950
Life insurance premiums	62,204	43,383
Carrier stop loss premiums	993,202	1,043,712
Purchased services	1,133,507	593,248
Other	10,685	246
Total operating expenses	<u>9,253,734</u>	<u>7,732,539</u>
Operating income (loss)	<u>(506,819)</u>	<u>625,937</u>
<u>Nonoperating revenues:</u>		
Interest	1,521	1,881
Total nonoperating revenues	<u>1,521</u>	<u>1,881</u>
Change in net position	<u>(505,298)</u>	<u>627,818</u>
Net position, July 1	<u>1,156,931</u>	<u>529,113</u>
Net position, June 30	<u>\$ 651,633</u>	<u>\$ 1,156,931</u>

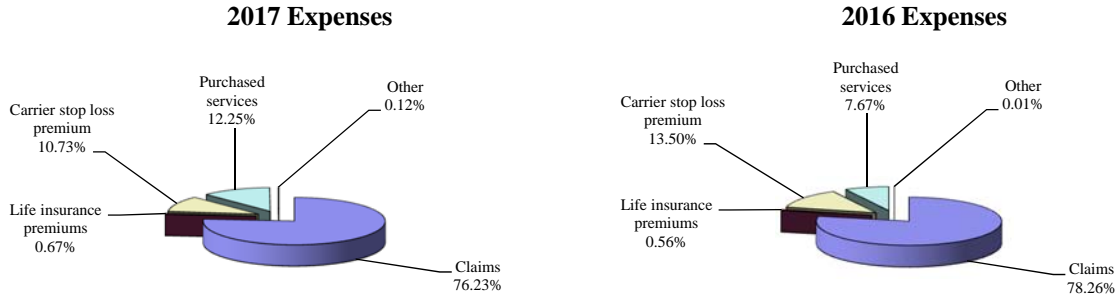
Operating revenues of the Consortium increased \$388,439 or 4.65%. This increase was the result of an increase in premiums charged to members to help offset rising health care costs. Operating expenses of the Consortium increased \$1,521,195 or 19.67%. This increase is primarily due to an increase in claims expenses that resulted from increases in medical, prescription and dental costs. This increase can also be attributed to an increase in purchased services which was the result of the Consortium becoming fully insured for its dental plan in fiscal year 2017. In fiscal year 2016, these costs were included in claims expense while in fiscal year 2017, the costs paid to Core Source for dental premiums were included in purchased services. Purchased services also increased due to a new enrollment software program as well as audit and GAAP conversion costs which were new in FY17. Life insurance premiums increased from fiscal year 2016 due primarily to the Consortium beginning to offer voluntary life.

The charts below reflect the percentage of the revenues and expenses in fiscal year 2017 and 2016.



**NORTH CENTRAL OHIO TRUST REGIONAL  
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SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**



**Current Financial Related Activities**

The Consortium is comprised of five members for fiscal year 2017: Mohawk Local School District, Old Fort Local School District, Seneca East Local School District, Tiffin City School District and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center currently serves as the Fiscal Agent of the Consortium.

The most significant challenge facing the Consortium's members and Assembly is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These services led to the members joining together to form the Consortium in hopes of benefiting from economies of scale by pooling their assets to obtain lower rates. The Assembly will continue to monitor rising costs and will adjust the premiums charged to the members in future years to offset these costs.

**Contacting the Consortium's Financial Management**

This financial report is designed to provide our member school districts, potential member school districts and investors and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tina Peyton, Treasurer, North Central Ohio Educational Service Center, 928 W. Market Street, Tiffin, Ohio, 44883 or by email at [tpeyton@ncoesc.org](mailto:tpeyton@ncoesc.org).

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Assets:</b>	
Cash and cash equivalents with fiscal agent . . . . .	\$ 1,659,440
Receivables:	
Stop loss reimbursements. . . . .	3,829
Prepayments . . . . .	<u>154,903</u>
Total assets. . . . .	<u>1,818,172</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	33,790
Claims payable . . . . .	629,599
Unearned revenue . . . . .	<u>503,150</u>
Total liabilities . . . . .	<u>1,166,539</u>
 <b>Net position:</b>	
Unrestricted. . . . .	<u>651,633</u>
Total net position. . . . .	<u><u>\$ 651,633</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating revenues:</b>	
Participant contributions . . . . .	\$ 8,469,841
Stop loss reimbursements. . . . .	261,306
Rebates and refunds . . . . .	15,768
Total operating revenues . . . . .	<u>8,746,915</u>
 <b>Operating expenses:</b>	
Claims . . . . .	7,054,136
Life insurance premiums . . . . .	62,204
Carrier stop loss premiums . . . . .	993,202
Purchased services. . . . .	1,133,507
Other. . . . .	10,685
Total operating expenses. . . . .	<u>9,253,734</u>
 Operating loss . . . . .	 <u>(506,819)</u>
 <b>Non-operating revenues:</b>	
Interest revenue . . . . .	1,521
Total nonoperating revenues . . . . .	<u>1,521</u>
 Change in net position . . . . .	 (505,298)
 <b>Net position at beginning of year . . . . .</b>	 <u>1,156,931</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 651,633</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Cash flows from operating activities:</b>	
Cash received from participants . . . . .	\$ 8,972,305
Cash received from stop loss reimbursements. . . . .	291,587
Cash received from rebates and refunds . . . . .	15,768
Cash payments for claims . . . . .	(7,116,928)
Cash payments for life insurance premiums . . . . .	(34,513)
Cash payments for carrier stop loss premiums . . . . .	(1,064,569)
Cash payments for purchased services . . . . .	(1,213,515)
Cash payments for other expenses . . . . .	(10,685)
	<hr/>
Net cash used in operating activities . . . . .	(160,550)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	1,521
	<hr/>
Net cash provided by investing activities . . . . .	1,521
Net decrease in cash and cash cash equivalents with fiscal agent . . . . .	(159,029)
<b>Cash and cash equivalents with fiscal agent at beginning of year . . . . .</b>	<b>1,818,469</b>
<b>Cash and cash equivalents with fiscal agent at end of year . . . . .</b>	<b><u>\$ 1,659,440</u></b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ (506,819)
Changes in assets and liabilities:	
Stop loss premiums receivable . . . . .	30,281
Prepayments . . . . .	(153,759)
Accounts payable. . . . .	30,075
Claims payable . . . . .	(62,792)
Unearned revenue . . . . .	502,464
	<hr/>
Net cash used in operating activities. . . . .	<b><u>\$ (160,550)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The North Central Ohio Trust Regional Council of Governments (the "Consortium") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Consortium was established on January 1, 2013, and was formed after formerly being a part of the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). The Consortium was formed by the Boards of Education of several school districts in northwest Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, prescription, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The five members of the Consortium at June 30, 2017, were Mohawk Local School District, Old Fort Local School District, Seneca East Local School District, Tiffin City School District and North Central Ohio Educational Service Center.

Some of the more significant provisions of the Consortium are as follows:

**A. Assembly**

The Assembly shall be the legislative and managerial body of the Consortium. The Assembly shall be composed of the representatives of the Members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. The individual or individuals serving as Treasurer and Recording Secretary of the Consortium and the person, if any, who may be serving as Administrator of the Consortium each shall be ex-officio members of the Assembly and may attend all meetings of the Assembly but shall not count for purposes of determining a quorum and shall not vote.

**B. Fiscal Agent**

The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2017, the North Central Ohio Educational Service Center (the "ESC") served as Fiscal Agent for the Consortium. The Fiscal Agent shall be selected each Fiscal Year by the Assembly and shall be a Member. The Fiscal Agent shall in turn appoint the Treasurer and Recording Secretary of the Consortium. The Fiscal Agent may appoint one person to serve in both capacities or may select one person for each position. However, the individual appointed as Treasurer must be the fiscal officer of the Member serving as the Fiscal Agent. The Consortium shall pay a reasonable management fee to the Fiscal Agent. The Fiscal Agent will reflect the financial records of the Consortium in its own records. The Member serving as Fiscal Agent shall also obtain additional fidelity bond coverage for the Treasurer in an amount determined by the Assembly and with a surety company approved by the Assembly, unless the Assembly determines that the Treasurer's existing fidelity bond is adequate.

**C. Consortium Funds**

The Consortium's Funds shall be established and maintained by the Treasurer of the Consortium separate and apart from all other funds which may be under the custody of the Treasurer. A separate fund shall be established for each program of the Consortium. In the event that the Consortium is operating a number of programs, the Consortium shall establish a separate fund (herein referred to as the "Consortium Fund") for the payment of overhead costs of the Consortium not solely attributable to any one program. Those overhead costs may be allocated to the various programs of the Consortium and moneys may be transferred from the various program funds to the Consortium Fund in such manner as may be authorized by the Assembly, consistent with the budget, pursuant to Section 11 of the Bylaws. The Consortium Fund shall be subject to the laws of the State concerning the investment and management of public funds, particularly Revised Code Chapter 135, and shall be the responsibility of the Treasurer.

**NORTH CENTRAL OHIO TRUST REGIONAL  
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SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)**

**C. Estimated Consortium Costs: Payments by Members**

Prior to November 30 in the Fiscal Year preceding the Fiscal Year for which the following estimates are made, the Assembly shall: (a) compile and generate a written estimate of the costs of operating the Consortium and its programs for the next Fiscal Year, separately itemized for each program of the Consortium, and (b) provide each Member with an estimate of each Member's share of those costs, separately itemized for each program in which that Member participates. The costs of each program shall be apportioned among the Members participating in the program as provided in the written agreement for each program. Any costs relating to the operation of the Consortium and not included in the program costs shall be apportioned among the Members in the manner determined by the Assembly. The estimates shall be presented in enough detail so that the Members can determine their sufficiency.

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

The financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Consortium's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Consortium are not misleading. On this basis, no governmental organizations other than the Consortium itself are included in the financial reporting entity.

**B. Fund Accounting**

The Consortium maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the 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.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Consortium's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Consortium's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Consortium distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants contributions for insurance coverage, prescription drug rebates and subrogation reimbursements. Operating expenses for the Consortium include the payment of claims, carrier stop loss premiums and administrative and other fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Cash Equivalents with Fiscal Agent**

The Consortium's Fiscal Agent maintains the Consortium financial activity under a specific fund designated for Consortium activity. The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2017, the North Central Ohio Educational Service Center served as Fiscal Agent for the Consortium.

The Treasurer of the Consortium, who also serves as Treasurer of the Fiscal Agent (the North Central Ohio Educational Service Center) has established a separate depository account for Consortium activities and purchases specific investments for the Consortium. The interest earnings on these Consortium accounts are distributed to the Consortium.

During fiscal year 2017, the Consortium's cash was maintained in demand deposit accounts.

For purposes of the statement of net position and the statement of cash flows, investments purchased by the Fiscal Agent for the Consortium with original maturities of three months or less at the time they are purchased are considered to be "cash equivalents". Investments purchased by the Fiscal Agent for the Consortium with original maturities of more than three months at the time they are purchased are considered to be "investments". An analysis of the Consortiums cash and investments with its Fiscal Agent at fiscal year-end is provided in Note 3.

**E. Budgetary Process**

Each member school district of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself is not required to follow the budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

**F. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**NORTH CENTRAL OHIO TRUST REGIONAL  
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SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - CASH AND CASH EQUIVALENTS WITH FISCAL AGENT**

The Treasurer of the Consortium, who also serves as Treasurer of the Fiscal Agent, maintains a specific depository account and purchases specific investments for the Consortium. The deposit and investment of Consortium monies follows the investment policy of the ESC. The following disclosures are required by GASB Statement No. 40, "Deposits and Investment Risk Disclosures".

State statutes allow the School District as Fiscal Agent for the Consortium to deposit or invest the Consortium's monies in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation 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 National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. 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 items (1) and (2) above 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 (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Consortium'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.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the 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.

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - CASH AND CASH EQUIVALENTS WITH FISCAL AGENT - (Continued)**

As Fiscal Agent, the ESC maintains a separate depository account and a separate investment account for monies specific to the Consortium. The amounts held in the depository account and the investment account at fiscal year year-end are described below.

**A. Deposits with Fiscal Agent held in Financial Institutions**

At June 30, 2017, the carrying amount of the Consortiums deposits with Fiscal Agent held in financial institutions was \$1,659,440. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,454,358 of the Consortiums deposits bank balance of \$1,704,358 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Reconciliation of Cash and Investments with Fiscal Agent to the Statement of Net Position**

The following is a reconciliation of cash and investments with Fiscal Agent as reported in the note above to cash and investments with Fiscal Agent as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments with Fiscal Agent per note</u>	
Carrying amount of deposits with Fiscal Agent	\$ <u>1,659,440</u>
<u>Cash and investments with Fiscal Agent per financial statements</u>	
Cash and cash equivalents with Fiscal Agent	\$ <u>1,659,440</u>

**NOTE 4 - RISK MANAGEMENT**

The Consortium is a jointly governed organization which acts as a governmental risk pool for medical, hospitalization, dental, prescription drug, vision, life or any other benefits which may be included, from time to time, in a member's plan document, to all covered persons of each member for all claims incurred during membership in the Consortium. The risk of loss for loss transfers from the member school districts to the Consortium upon payment of the monthly premium.

The Consortium employs the services of an outside consultant, Mutual Health Services, to assist them in administering the Consortium. Mutual Health Services administers the following lines of coverage: medical, hospitalization and prescription drug. The Guardian Life Insurance Company administers vision. Core Source administers a fully insured dental plan for the Consortium. Lincoln Life administers a fully insured life plan for the Consortium.

**NORTH CENTRAL OHIO TRUST REGIONAL  
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SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - RISK MANAGEMENT - (Continued)**

No employer, employee, or person claiming benefit by or through an employee shall have any claim against the Consortium or any property of the Consortium. The rights and interest of employees and persons claiming by or through employees shall be limited receipt benefits offered by or through the Consortium in accordance with the Consortium Agreement.

It is not necessary for each member school district to hold a reserve for Incurred But Not Reported (IBNR) claims. The IBNR information is presented by the Consortium as required by GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", and is not available on a District-by-District basis.

The Consortium is self-insured for member school district employee health insurance and prescription claims but maintains stop gap loss insurance with Mutual Health Services for \$125,000 on an individual basis. The Self Insurance Fund pays covered claims to service providers and recovers these costs from premium charges to member school districts based on calculations provided with the Consortium's consultant NFP Corporate Services in conjunction with Mutual Health Services which is the third party administrator.

The claims liability of \$629,599 reported at June 30, 2017, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the fiscal year ended June 30, 2017 and 2016 was as follows:

	2017	2016
Claims payable at beginning of fiscal year	\$ 692,391	\$ 934,764
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	6,131,782	5,369,342
Increase in claims expenses for insured events of the prior years	922,354	682,608
Total claims expenses	7,054,136	6,051,950
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	6,436,947	5,611,715
Claims expenses paid attributable to insured events of prior years	679,981	682,608
Total claims payments	7,116,928	6,294,323
Claims payable at end of fiscal year	\$ 629,599	\$ 692,391

**NOTE 5 - LITIGATION**

The Consortium is not party to legal proceedings which, in the opinion of Consortium management, would have a material effect, if any, on the financial condition of the Consortium.

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - RECEIVABLES**

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2017, the Consortium reported a \$3,829 receivable for any potential stop loss reimbursements. All receivables are expected to be collected within one year.

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REQUIRED SUPPLEMENTARY INFORMATION

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

**FOUR-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Consortium's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Consortium as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Consortium including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Consortium's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the fiscal years ended June 30, 2014 through 2017 is provided on the next page. The Consortium was formed on January 1, 2013 and began reporting on the accrual basis of accounting in fiscal year 2016. Information provided for fiscal year 2014 and 2015 is on a cash-basis of accounting.

**NORTH CENTRAL OHIO TRUST REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY, OHIO**

FOUR-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2014 (1)</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>
<b>1. Premiums and investment income</b>	n/a	\$ 7,588,960	\$ 7,945,720	\$ 8,471,362
<b>2. Unallocated expenses</b>	n/a	1,503,564	1,680,589	2,199,598
<b>3. Estimated losses incurred and expense, end of year</b>	n/a	n/a	5,369,342	6,131,782
<b>4. Paid, cumulative as of:</b>				
End of accident year	n/a	6,251,241	5,611,715	6,436,947
One year later	1,430,160	6,933,849	6,291,696	-
Two years later	1,430,160	6,933,849	-	-
Three years later	1,430,160	-	-	-
<b>5. Re-estimated incurred losses and expense:</b>				
End of accident year	n/a	6,251,241	5,369,342	6,131,782
One year later	1,430,160	6,933,849	6,291,696	-
Two years later	1,430,160	6,933,849	-	-
Three years later	1,430,160	-	-	-
<b>6. Increase in estimated incurred losses and expenses from end of accident year</b>	n/a	682,608	922,354	-

(1) Information presented on the cash-basis of accounting.  
n/a - information not available .

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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

North Central Ohio Trust Regional  
Council of Governments  
Seneca County  
928 W Market Street  
Tiffin, Ohio 44883

To 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 North Central Ohio Trust Regional Council of Governments, Seneca County, Ohio (the Consortium), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated October 23, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Consortium'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium'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 Consortium'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 may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Consortium'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 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*.

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



***Charles E. Harris & Associates, Inc.***  
October 23, 2017



# Dave Yost • Auditor of State

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENT JOINT SELF-  
INSURANCE HEALTH PROGRAM**

**SENECA 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  
FEBRUARY 8, 2018**