

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**





**Auditor of State  
Betty Montgomery**

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 Gilmore, Jasion & Mahler, LTD, for the audit period October 1, 2003 through September 30, 2004. 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 Auditor's 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 Auditor's 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 21, 2006

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# GILMORE, JASION & MAHLER, LTD

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statement 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 year ended September 30, 2004. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement 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 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 audit provides a reasonable basis for our opinion.

Kevin M. Gilmore, CPA, CVA  
Adele M. Jasion, CPA

As described more fully in Note 1, the Fund has prepared its financial statement 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 of 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.

Andrew L. Mahler,  
CPA, CVA, CFFA  
J. Stephen Schult, CPA

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does 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, 2004, or its changes in financial position for the year then ended.

Philip J. Newlove, CPA

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of cash receipts, cash disbursements, and changes in fund cash balances of Hancock County Schools Health Benefit Fund for the year ended September 30, 2004 on the basis of accounting described in Note 1.

Linda J. Hillstrom, CPA  
Debra S. Gossman, CPA

The aforementioned revision to generally accepted accounting principles also requires the Fund to include Management's Discussion and Analysis for the year ended September 30, 2004. 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 October 12, 2005 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. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

The report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Gilmore, Jason & Mahler, LTD*

October 12, 2005

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
For the Year Ended September 30, 2004**

**Cash receipts**

Participant contributions	\$	5,234,942
Investment income		47,669
<b>Total cash receipts</b>	<b>\$</b>	<b><u>5,282,611</u></b>

**Cash disbursements**

Medical, dental and vision claim payments		4,928,386
Administration fees		320,429
Stop loss insurance payments		189,867
Consulting fees		28,417
Investment fees		8,640
Professional fees		1,500
<b>Total cash disbursements</b>	<b>\$</b>	<b><u>5,477,239</u></b>

**Total cash disbursements in excess of cash receipts** (194,628)

Fund cash balances, October 1, 2003 2,069,098

Fund cash balances, September 30, 2004 \$ 1,874,470

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



**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**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 earned.

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 fiscal year 2004, investments were limited to money market deposits, certificates of deposit, and U.S. Government Securities.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**NOTES TO FINANCIAL STATEMENTS-CONTINUED**  
**September 30, 2004**

**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, 2004 was as follows:

Demand deposits	\$ 419,729
Investments:	
Money Market Account	210,285
U.S. Government Securities:	
Federal Home Loan Mortgage Corporation	148,958
Federal Home Loan Bank	206,203
Federated Prime Obligations	889,295
Total investments	1,454,741
Total deposits and investments	\$ 1,874,470

**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 who selects qualified insurance companies that provide the health insurance program that is adequate 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, 2004, the attachment point for individual claims was \$100,000 for each covered individual with the exception of one covered individual for which the attachment point was \$175,000. The aggregate deductible for the year ended September 30, 2004 was the greater of \$5,165,446 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.

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND**  
**NOTES TO FINANCIAL STATEMENTS-CONTINUED**  
**September 30, 2004**

**Note 4-Actuarial report**

An actuarial valuation of claim liability and funded status was performed for the year ended September 30, 2004. The purpose of the valuation is to estimate claims that have been incurred, whether reported at September 30, 2004, or not, under the Hancock County Schools Health Benefit Fund as of the valuation date, and to compare its liability to funds reserved. Information regarding the funding status as of September 30, 2004 is as follows:

Cash and investments at September 30, 2004	\$ 1,874,470
Actuarial liability at September 30, 2004	<u>923,087</u>
Net excess of cash reserves	<u>\$ 951,383</u>

# 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  
Toledo, 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, 2004, and have issued our report thereon dated October 12, 2005, 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 the Hancock County Schools Health Benefit Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

### **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*.

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

We noted other matters involving the internal control over financial reporting, which we have reported to management of the Fund in a separate letter dated October 12, 2005.

This report is intended solely for the information and use of the Fund's members, the 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*

October 12, 2005





**Auditor of State  
Betty Montgomery**

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**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  
MARCH 14, 2006**