

HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2005 AND 2004



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, 2004 through September 30, 2005. 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's Office (AOS). 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 AOS 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 AOS 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 10, 2007

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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, 2005 and 2004. 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.

Kevin M. Gilmore, CPA, CVA

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 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.

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

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, 2005 and 2004, or its changes in financial position for the years then ended.

J. Stephen Schult, CPA

Philip J. Newlove, CPA

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, 2005 and 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 years ended September 30, 2005 and 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.

Charles F. Heid, CPA

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 12, 2006 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 assessing the results of our audit.

Gilmore, Jason & Mahler, LTD

October 12, 2006

**HANCOCK COUNTY SCHOOLS HEALTH BENEFIT FUND
STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
For the Years Ended September 30, 2005 and 2004**

	2005	2004
Cash receipts		
Participant contributions	\$ 5,745,381	\$ 5,234,942
Investment income	33,613	47,669
Total cash receipts	5,778,994	5,282,611
 Cash disbursements		
Medical, dental and vision claim payments	5,077,829	4,928,386
Administration fees	370,397	320,429
Stop loss insurance payments	197,372	189,867
Consulting fees	33,583	28,417
Professional fees	10,103	1,500
Investment fees	5,107	8,640
Total cash disbursements	5,694,391	5,477,239
 Excess (deficiency) of cash receipts over cash disbursements	84,603	(194,628)
 Fund cash balances, beginning of the year	1,874,470	2,069,098
Fund cash balances, end of the year	\$ 1,959,073	\$ 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, 2005 and 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 2005 and 2004, 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, 2005 and 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, 2005 and 2004 was as follows:

	2005	2004
Demand deposits	\$ 672,170	\$ 419,729
Money market accounts	440,727	1,099,580
Investments:		
Federal Home Loan Mortgage Corporation	198,880	148,958
Federal Home Loan Bank	149,873	206,203
Federal Farm Credit Bank	199,750	0
Federal National Mortgage Association	297,673	0
Total investments	1,286,903	1,454,741
Total deposits, money market accounts and investments	\$ 1,959,073	\$ 1,874,470

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 Mortgage Corporation, the Federal Home Loan Bank Notes, the Federal Farm Credit Bank, and the Federal National Home Mortgage Association 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 Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal Farm Credit Bank, and Federal National Home Mortgage Association 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. Fund's investments in money market accounts, Federal National Mortgage Corporation Notes, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Home Mortgage Association individually exceed 5% of the Fund's total investments in 2005 and 2004, respectively.

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, 2005 and 2004, 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, 2005 and 2004

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, 2005 and 2004, the attachment point for individual claims was \$100,000 for each covered individual. At September 30, 2004 the attachment point was \$175,000 for one covered individual. The aggregate deductible for the year ended September 30, 2005 was the greater of \$6,772,192 or a computed minimum aggregate deductible per covered unit as defined by the policy terms. 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.

Note 4-Actuarial report

Actuarial valuations of claim liability and funded status were performed for the years ended September 30, 2005 and 2004. The purpose of the valuations is to estimate claims that have been incurred, whether reported at September 30, 2005 and 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, 2005 and 2004 is as follows:

	2005	2004
Cash and investments	\$ 1,959,073	\$ 1,874,470
Actuarial liability	912,433	923,087
Net excess of cash reserves	\$ 1,046,640	\$ 951,383

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, 2005, and have issued our report thereon dated October 12, 2006, 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

J. Stephen Schult, CPA

Philip J. Newlove, CPA

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*.

Linda J. Hillstrom, 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, 2006.

Debra S. Gossman, CPA

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.

Charles F. Heid, CPA

Gilmore, Jasion & Mahler, LTD

October 12, 2006



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
JANUARY 25, 2007**