



Dave Yost • Auditor of State



FULTON-HENRY COUNTIES COUNCIL  
FULTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Fulton-Henry Counties Council  
Fulton County  
152 South Fulton Street  
Wauseon, Ohio 43567-3308

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of Fulton-Henry Counties Council, Fulton County, Ohio, (the Council), a component unit of Fulton County, Ohio as of and for the period January 1, 2014 through October 15, 2014 and the year ended December 31, 2013.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the Council prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of October 15, 2014 and December 31, 2013, or changes in financial position or cash flows thereof for the periods then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Fulton-Henry Counties Council, Fulton County, Ohio as of October 15, 2014 and December 31, 2013, and its cash receipts and disbursements for the periods then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note1.

***Emphasis of Matter***

As described in note 2, for the year ended December 31, 2013, the Council changed its financial statement presentation method to conform to financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

As more fully described in note 4, the Council has ceased operations on October 15, 2014 as a health insurance risk pool. Our opinion is not modified with respect to that matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015, on our consideration of the Council'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Council's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 3, 2015

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**FULTON-HENRY COUNTIES COUNCIL  
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE PERIOD JANUARY 1, 2014 THROUGH OCTOBER 15, 2014  
AND THE YEAR ENDED DECEMBER 31, 2013**

	2014	2013
<b>Operating Cash Disbursements</b>		
Administrative Fees	\$1,090	\$1,233
Audit/Accounting Fees	287	9,366
Contract Services		5,535
<i>Total Operating Cash Disbursements</i>	1,377	16,134
<i>Operating Loss</i>	(1,377)	(16,134)
<b>Non-Operating Receipts</b>		
Earnings on Investments	421	715
Miscellaneous Receipts		2,115
<i>Total Non-Operating Receipts</i>	421	2,830
<i>Loss before Special Item</i>	(956)	(13,304)
Special Item	(1,610,282)	
<i>Net Change in Fund Cash Balance</i>	(1,611,238)	(13,304)
<i>Fund Cash Balance, January 1</i>	\$1,611,238	1,624,542
<i>Fund Cash Balance, December 31</i>	\$1,611,238	\$1,611,238

*The notes to the financial statement are an integral part of this statement.*

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**FULTON-HENRY COUNTIES COUNCIL  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD JANUARY 1, 2014 THROUGH OCTOBER 15, 2014  
AND THE YEAR ENDED DECEMBER 31, 2013**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Fulton-Henry Counties Council (the Council) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council is directed by a Board of Directors under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments. The Council was formed in 1992 for the primary purpose of providing health care benefits to employees of its members. As of December 31, 2012, Fulton County is the sole member of the Council.

For financial reporting purposes, the Council is a component unit of Fulton County, Ohio as Fulton County appoints the Council's Board of Directors and is financially accountable for the Council.

The Council's management believes this financial statement present all activities for which the Township is financially accountable.

**B. Accounting Basis**

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies all of its activities within a single proprietary fund.

**E. Budgetary Process**

The Council is not required to prepare a budget in accordance with the Ohio Revised Code.

**FULTON-HENRY COUNTIES COUNCIL  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD JANUARY 1, 2014 THROUGH OCTOBER 15, 2014  
AND THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**2. Change in Financial Statement Presentation**

In 2012, the Council reported the financial statement on the modified cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2013, the Council began reporting on a regulatory basis. The Council no longer presents entity wide financial statements.

**3. Equity in Investments**

The Ohio Revised Code prescribes allowable deposits and investments. The Council held no deposits. The carrying amount of investments at December 31, 2013 was as follows:

	<u>2013</u>
Money Market Mutual Funds	<u>\$1,611,238</u>

**Investments:** Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

**4. Cessation of Operations**

As of January 1, 2011, Henry County elected to no longer provide health insurance benefits to its employees through the Council. Prior to January 1, 2013, Henry County received its interest in fund cash balance of the Council.

As of January 1, 2012, Fulton County elected to no longer provide health insurance benefits to its employees through the Council. On October 15, 2014, the Council made a final distribution of the remaining cash fund balance of \$1,610,282 to Fulton County and ceased operations on that date. This distribution is described as a special item on the financial statement. Any remaining claims would be the responsibility of Fulton County.

**5. Miscellaneous Receipts**

In 2013, miscellaneous receipts consist primarily of refunds made to the Council.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Fulton-Henry Counties Council  
Fulton County  
152 South Fulton Street  
Wauseon, Ohio 43567-3308

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of Fulton-Henry Counties Council, Fulton County, Ohio (the Council) as of and for the period January 1, 2014 through October 15, 2014 and the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 3, 2015 wherein we noted the Council changed its financial presentation method to conform to financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and wherein we noted the Council ceased operations on October 15, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statement. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Council's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 3, 2015

**FULTON-HENRY COUNTIES COUNCIL  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE PERIOD JANUARY 1, 2014 THROUGH OCTOBER 15, 2014  
AND THE YEAR ENDED DECEMBER 31, 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-002	The Council did not have the expertise to prepare annual financial statements and related footnotes in accordance with its basis of reporting.	Yes	

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# Dave Yost • Auditor of State

**FULTON HENRY COUNTIES COUNCIL**

**FULTON 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 17, 2015**