

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

**SENECA COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended June 30, 2015**







# Dave Yost • Auditor of State

Board of Directors  
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, 2014 through June 30, 2015. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 5, 2016

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**NORTH CENTRAL OHIO REGIONAL  
COUNCIL OF GOVERNMENTS  
SENECA COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2015**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
<b>Independent Auditor's Report .....</b>	<b>1</b>
<b>Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances.....</b>	<b>3</b>
<b>Notes to the Basic Financial Statements.....</b>	<b>4</b>
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>.....</b>	<b>7</b>

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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 Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balance, receipts and disbursements, and related notes of the North Central Ohio Trust Regional Council of Governments, Seneca County, (the Consortium) as of and for the year ended June 30, 2015.

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

Management is responsible for preparing and fairly presenting these financial statements 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 these financial statements 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 statements are 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 Consortium's preparation and fair presentation of the financial statements 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 Consortium'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 statements, the Consortium prepared these financial statements 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 statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Consortium does not intend these statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2015, or changes in financial position or its cash flows thereof for the year then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the North Central Ohio Trust Regional Council of Governments, Seneca County as of June 30, 2015, and its cash receipts and disbursements for the year 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 Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, on our consideration of the Consortium'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 Consortium's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
September 23, 2016

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH FUND BALANCE  
For the Fiscal Year Ended June 30, 2015

Cash Receipts:	
Receipts from Member Districts	\$ 7,587,732
Interest Earned	1,228
Stop Loss Refunds	1,162,909
Miscellaneous Refunds	<u>77,532</u>
Total Cash Receipts	8,829,401
Cash Disbursements:	
Insurance Premiums	975,425
Administration Charges	521,282
Claims Paid	7,681,401
Other Expenses	<u>6,857</u>
Total Cash Disbursements	<u>9,184,965</u>
Cash Receipts Over(Under) Cash Disbursements	(355,564)
Fund Balance July 1, 2014	<u>2,133,929</u>
Fund Balance June 30, 2015	<u><u>\$ 1,778,366</u></u>

See accompanying Notes to the Financial Statements



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

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. DESCRIPTION OF THE ENTITY

Pursuant to the provisions of Chapter 167 of the Ohio Revised Code, the North Central Ohio Trust Regional Council of Governments, Seneca County, Ohio, ("NCOT") is a joint self insurance association formed to provide health care insurance benefits. It 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 members include Bettsville Local Schools (merged with Old Fort Local Schools in FY2015), Mohawk Local Schools, Old Fort Local Schools, Seneca East Local Schools, Tiffin City Schools and the North Central Ohio Educational Service Center. Each member designates a representative to serve on the Board of Directors.

Members pay monthly premium (program cost) contributions to a common fund to pay program costs. Each member assumes the risks of all other members with respect to the provision of the health care benefits to be provided cooperatively under this program to the extent of the amounts required. Annually the Board of Directors will estimate the reserve of funds each member must appropriate and encumber for the succeeding fiscal year to pay all claims which could be made under the Health Benefits Program by covered persons of each member which would not be paid by stop-loss insurance coverage this amount will be placed in the program fund.

The Assembly shall be the governing body of NCOT and shall oversee the operations of the Health Benefits Program, subject to the provisions of the agreement and bylaws of the organization.

NCOT's management believes these financial statements present all activities for which the Council is financially accountable.

2. BASIS OF ACCOUNTING

These 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 they are earned. Disbursements are recognized when they are paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

3. CASH

Investments are made in accordance with the policies of the Board of Directors. The NCOT designates Fifth Third Bank as its primary depository. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

4. BUDGETARY PROCESS

The Ohio Revised Code does not require NCOT to budget annually, but it is incorporated in its bylaws that on or before May 1 of each year, the NCOT shall determine the total estimated budget of the Health Benefits Program for the next fiscal year, evidencing each member's share of that budget. Each member shall include its share of that budget in its annual appropriations resolution (pursuant to Ohio Revised Code Section 5705).

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

**NOTES TO THE FINANCIAL STATEMENTS - continued  
YEAR ENDED JUNE 30, 2015**

**B. EQUITY IN POOLED CASH AND INVESTMENTS**

NCOT maintains a cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2015 was as follows:

	2015
Demand Deposits	\$ 1,778,366

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to NCOT or (3) collateralized by the financial institution's public entity deposit pool.

**C. FISCAL AGENT**

The North Central Ohio Educational Service Center, Seneca County, Ohio serves as the fiscal agent for NCOT and provides certain accounting and administrative services to NCOT.

**D. RISK MANAGEMENT**

NCOT contracted with a third party administrator, Mutual Health Service, for the year ended June 30, 2015, to process and pay health benefit claims incurred by its members. Payments are made by members for monthly health insurance premiums, monthly stop loss premiums, and administrative charges. The monthly premiums are based upon an annual estimate determined by the Assembly. The Fiscal Officer approves monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of NCOT members.

NCOT employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows NCOT to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability. The stop-loss coverage for the Fiscal Year 2014-2015 is \$125,000.

An actuarial valuation of the health care plan is prepared annually under guidelines set forth in Actuarial Standard of Practice No. 5, *Incurred Health Claims Liabilities* (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to compare this liability to funds reserved. The method and assumptions utilized for measuring an actuarial liability are critical to the determination as to whether funds are adequate.

A comparison of NCOT's cash to the actuarially-measured liability as of June 30 follows:

	June 30, 2015
Cash	\$1,778,366
Actuarial liabilities	934,764

**E. Reserve for Claims Losses**

North Central Ohio Trust Regional Council of Governments, under its terms of membership, shall establish adequate reserves for claims and unallocated loss adjustment expenses. For fiscal year 2015, the Loss Reserve was \$934,764 and the fluctuation reserve was \$843,602. Total claims expenses for the year ended June 30, 2015 was approximately \$7.7 million.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued  
YEAR ENDED JUNE 30, 2015**

**F. LITIGATION**

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

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*Certified Public Accountants*

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

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

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 statements of the North Central Ohio Trust Regional Council of Governments, Seneca County, (the Consortium) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2016, wherein we noted that the Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Consortium'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 statements, but not to the extent necessary to opine on the effectiveness of the Consortium'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 Consortium's financial statements. 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.

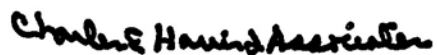
***Compliance and Other Matters***

As part of reasonably assuring whether the Consortium's financial statements are 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*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Consortium's management in a separate letter dated September 23, 2016.

***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 Consortium's internal control or on compliance. This report is an integral part of an audit performed under *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.***  
September 23, 2016

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# Dave Yost • Auditor of State

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS 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  
DECEMBER 20, 2016**