



Dave Yost • Auditor of State



**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Preble County Schools Regional Council of Governments  
Preble County  
597 Hillcrest Drive  
Eaton, Ohio 45320

To the Council Governing Board:

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

We have audited the accompanying financial statements of the cash balance, receipts and disbursements and related notes of the Preble County Schools Regional Council of Governments, Preble County, (the Council) as of and for the years ended June 30, 2016 and 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 Council'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 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 opinions.

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

As described in Note 2 of the financial statements, the Council 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 Council 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 Council as of June 30, 2016 and 2015, or changes in financial position thereof for the years 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 Preble County Schools Regional Council of Governments, Preble County, as of June 30, 2016 and 2015, and its cash receipts and disbursements for the years 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 25, 2017

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Operating Cash Receipts:</b>	
Health Benefit Premium Deposits	<u>\$748,989</u>
<b>Operating Cash Disbursements:</b>	
Medical Claims	349,260
Management Fees	11,503
Bank Fees	933
Total Operating Cash Disbursements	<u>361,696</u>
Operating Income	387,293
<b>Non-Operating Cash Receipts:</b>	
Interest	<u>5,238</u>
Net Change in Fund Balance	392,531
Fund Cash Balance, July 1, 2015	<u>3,687,247</u>
Fund Cash Balance, June 30, 2016	<u><u>\$4,079,778</u></u>

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

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**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**1. DESCRIPTION OF THE ENTITY**

The Preble County Schools Regional Council of Governments, Preble County, Ohio, (the "Council") 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 as defined by Chapter 167 of the Ohio Revised Code.

The Council is an insurance-purchasing public entity risk pool, as defined by paragraphs 10 and 13b of the Governmental Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provision and administration of health care benefits for employees of each member school district and to promote cooperative programs, which may be approved in accordance with the Council by-laws.

The Council Governing Board is the legislative decision-making body of the Council and is comprised of the superintendent or executive officer from each member school district. As of June 30, 2016 there were 6 members of the Council Governing Board.

The Council Governing Board is the advisory body of the Council. It consists of the authorized representative of each member school district, which is the superintendent or his/her designee. Among other responsibilities, the Council Governing Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Council Governing Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations related to member school district program costs and adjustments.

The joint insurance-purchasing agreement of the member school district can be terminated by two-thirds vote of the Council Governing Board. Upon such termination, the excess funds of employee benefit trusts, if any, remaining after payment of the obligations of such trust and the payment of the reasonable and necessary disbursements incurred in termination of such trust, shall be used toward the initial cost of whatever insurance provider or insurance vehicle replaces such trust for each member school district at the time of termination.

Any such disbursements for the benefit of a member school district shall be in proportion to the total contributions made by such member school district while a member of the Council to the total contributions made by all member school districts while members of the Council.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis Of Accounting**

These financial statements follow 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 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Cash and Investments**

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2016.

**C. Fund Accounting**

The Council 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 Council 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 charge; or (b) where the governing board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. FUNDING ARRANGEMENTS**

The Council has agreed to an alternate funding arrangement for medical benefits. The program remains insured and is called Contingent Premium, which is a reduced pre-payment form of insurance with an annual settlement.

Funds received by the Council consist of medical premium rates for each of the member school districts' participating employees. Rates are contingent upon the level of claims utilization. The program operates as follows:

1. The member school district pays a monthly contingent premium rate to the insurance carrier for single and family units covered.
2. The Preble County Educational Service Center (the "Service Center") serves as the fiscal agent for the Council. The Service Center deposits the difference between the Risk Premium rate and the Contingent Premium rate into the Council's bank account each month.
3. Within six months of the end of the contract renewal (March of each year) an annual settlement will be made which will compare the contingent premium, risk premium, incurred claims, retention charges and all other data required for settlement in determination of the liability, if any, to the insurance carrier. The Council's liability will be determined in the following manner:
  - A. If the incurred claims plus retention is less than the cumulative contingent premium, no payment shall be due from either party.
  - B. If the incurred claims plus retention is greater than the cumulative contingent premium, but less than the cumulative risk premium, the Council would pay the insurance carrier the difference between the incurred claims plus retention and the cumulative contingent premium.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**3. FUNDING ARRANGEMENTS (Continued)**

- C. If the incurred claims plus retention exceeds the cumulative risk premium, the Council shall pay the difference between the cumulative risk premium and the cumulative contingent premium, and the amount in excess of the risk premium shall become the liability of the insurance carrier.

The Council implemented a high deductible second medical core option effective September 1, 2006. Effective September 1, 2015, the Council implemented a third higher deductible low option plan. Each member school district was provided the opportunity to offer three options to their employees. The Council agreed that each member school district could offer a Health Reimbursement Arrangement (HRA) for their employees to offset the higher deductibles. Each member school district board controls the HRA; the member school district contributes all dollars contributed to the HRA account. The employees of each member school district have no vested interest in any remaining HRA account balances at the time of termination and/or retirement.

In June 2015, the Council set the funding rate at 94% of the full medical premium, 90%-110% contingent premium. By funding at this level, the member school districts made contributions to the Council's fund balance during fiscal year 2016 in the amount of \$370,312.

**4. CASH AND INVESTMENTS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2016 was as follows:

	<u>6/30/2016</u>
Deposits	\$2,564,920
Investments	
Star Ohio	<u>1,514,858</u>
Total Deposits and Investments	<u>\$4,079,778</u>

**A. Deposits**

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**B. Investments**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**5. RISK MANAGEMENT**

The Council contracts with:

1. Horan Associates, Inc., a consulting/brokerage firm to provide expertise in the area of health care benefits and funding arrangements with Anthem Blue Cross and Blue Shield;
2. Pohlman and Talmage, a local CPA firm to monitor the revenue and disbursements from all member school districts in the Council's reserve account;

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

3. Infinisource provides expertise in the area of federal Cobra legislation by providing Cobra notification to eligible participants; and
4. BusinessPlans, Inc. to manage the Health Reimbursement Arrangement (HRA) employee payments and district account balances.

**6. RISK LIABILITY**

Contingent premium is a pre-payment form of insurance with an annual settlement. The member school districts pay Anthem Blue Cross and Blue Shield 90% of the conventional fully insured rates with a maximum liability of 110% of the conventional fully insured rates. This alternate funding arrangement insured through Anthem Blue Cross and Blue Shield requires an annual settlement within six months of the contract renewal.

The amount of liability is pre-determined each contract year (September 1). The estimated medical liability for the contract year September 1, 2015 through August 31, 2016 is \$1,838,622 and due in the spring of 2017.

Since the Council's inception in September 1992, the reserve account has exceeded the estimated liability established by Anthem Blue Cross and Blue Shield.

**7. SUBSEQUENT EVENTS**

Beginning October 1, 2017 the member school districts of the Council of Governments will each have a separate agreement with Wex Health, Inc.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Operating Cash Receipts:</b>	
Health Benefit Premium Deposits	<u>\$749,792</u>
<b>Operating Cash Disbursements:</b>	
Medical Claims	988,742
Management Fees	17,393
Bank Fees	669
Total Operating Cash Disbursements	<u>1,006,804</u>
Operating Loss	(257,012)
<b>Non-Operating Cash Receipts:</b>	
Interest	<u>1,953</u>
Net Change in Fund Balance	(255,059)
Fund Cash Balance, July 1, 2014	<u>3,942,306</u>
Fund Cash Balance, June 30, 2015	<u><u>\$3,687,247</u></u>

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

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**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. DESCRIPTION OF THE ENTITY**

The Preble County Schools Regional Council of Governments, Preble County, Ohio, (the "Council") 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 as defined by Chapter 167 of the Ohio Revised Code.

The Council is an insurance-purchasing public entity risk pool, as defined by paragraphs 10 and 13b of the Governmental Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provision and administration of health care benefits for employees of each member school district and to promote cooperative programs, which may be approved in accordance with the Council by-laws.

The Council Governing Board is the legislative decision-making body of the Council and is comprised of the superintendent or executive officer from each member school district. As of June 30, 2015 there were 6 members of the Council Governing Board.

The Council Governing Board is the advisory body of the Council. It consists of the authorized representative of each member school district, which is the superintendent or his/her designee. Among other responsibilities, the Council Governing Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Council Governing Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations related to member school district program costs and adjustments.

The joint insurance-purchasing agreement of the member school district can be terminated by two-thirds vote of the Council Governing Board. Upon such termination, the excess funds of employee benefit trusts, if any, remaining after payment of the obligations of such trust and the payment of the reasonable and necessary disbursements incurred in termination of such trust, shall be used toward the initial cost of whatever insurance provider or insurance vehicle replaces such trust for each member school district at the time of termination.

Any such disbursements for the benefit of a member school district shall be in proportion to the total contributions made by such member school district while a member of the Council to the total contributions made by all member school districts while members of the Council.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

These financial statements follow 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 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Cash and Investments**

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

**C. Fund Accounting**

The Council 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 Council 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 charge; or (b) where the governing board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. FUNDING ARRANGEMENTS**

The Council has agreed to an alternate funding arrangement for medical benefits. The program remains insured and is called Contingent Premium, which is a reduced pre-payment form of insurance with an annual settlement.

Funds received by the Council consist of medical premium rates for each of the member school districts' participating employees. Rates are contingent upon the level of claims utilization. The program operates as follows:

1. The member school district pays a monthly contingent premium rate to the insurance carrier for single and family units covered.
2. The Preble County Educational Service Center (the "Service Center") serves as the fiscal agent for the Council. The Service Center deposits the difference between the Risk Premium rate and the Contingent Premium rate into the Council's bank account each month.
3. Within six months of the end of the contract renewal (March of each year) an annual settlement will be made which will compare the contingent premium, risk premium, incurred claims, retention charges and all other data required for settlement in determination of the liability, if any, to the insurance carrier. The Council's liability will be determined in the following manner:
  - A. If the incurred claims plus retention is less than the cumulative contingent premium, no payment shall be due from either party.
  - B. If the incurred claims plus retention is greater than the cumulative contingent premium, but less than the cumulative risk premium, the Council would pay the insurance carrier the difference between the incurred claims plus retention and the cumulative contingent premium.
  - C. If the incurred claims plus retention exceeds the cumulative risk premium, the Council shall pay the difference between the cumulative risk premium and the cumulative contingent premium, and the amount in excess of the risk premium shall become the liability of the insurance carrier.



**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**3. FUNDING ARRANGEMENTS (Continued)**

The Council implemented a high deductible second medical core option effective September 1, 2006. Each member school district was provided the opportunity to offer both options to their employees. The Council agreed that each member school district could offer a Health Reimbursement Arrangement (HRA) for their employees to offset the higher deductibles. Each member school district board controls the HRA; the member school district contributes all dollars contributed to the HRA account. The employees of each member school district have no vested interest in any remaining HRA account balances at the time of termination and/or retirement.

In June 2014, the Council set the funding rate at 94% of the full medical premium, 90%-110% contingent premium. By funding at this level, the member school districts made contributions to the Council's fund balance during fiscal year 2015 in the amount of \$357,716.

**4. CASH AND INVESTMENTS**

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

	<u>6/30/2015</u>
Deposits	<u>\$2,537,722</u>
Investments:	
Star Ohio	<u>1,149,525</u>
Total Deposits and Investments	<u><u>\$3,687,247</u></u>

**A. Deposits**

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**B. Investments**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**5. RISK MANAGEMENT**

The Council contracts with:

1. Horan Associates, Inc., a consulting/brokerage firm to provide expertise in the area of health care benefits and funding arrangements with Anthem Blue Cross and Blue Shield;
2. Pohlman and Talmage, a local CPA firm to monitor the revenue and disbursements from all member school districts in the Council's reserve account;
3. Infinisource provides expertise in the area of federal Cobra legislation by providing Cobra notification to eligible participants; and
4. BusinessPlans, Inc. to manage the Health Reimbursement Arrangement (HRA) employee payments and district account balances.

**PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**6. RISK LIABILITY**

Contingent premium is a pre-payment form of insurance with an annual settlement. The member school districts pay Anthem Blue Cross and Blue Shield 90% of the conventional fully insured rates with a maximum liability of 110% of the conventional fully insured rates. This alternate funding arrangement insured through Anthem Blue Cross and Blue Shield requires an annual settlement within six months of the contract renewal.

The amount of liability is pre-determined each contract year (September 1). The estimated medical liability for the contract year September 1, 2014 through August 31, 2015 is \$1,926,385 and due in the spring of 2016.

Since the Council's inception in September 1992, the reserve account has exceeded the estimated liability established by Anthem Blue Cross and Blue Shield.



# 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*

Preble County Schools Regional Council of Governments  
Preble County  
597 Hillcrest Drive  
Eaton, Ohio 45320

To the Council Governing Board:

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 cash balances, receipts, and disbursements of the Preble County Schools Regional Council of Governments, Preble County, (the Council) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2017 wherein we noted the Council 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 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 statements, 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Council'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*.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Council's Response to Finding***

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

***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

July 25, 2017

PREBLE COUNTY SCHOOLS REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2016 AND 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2016-001

**Material Weakness – Service Organization Controls**

The Preble County Schools Regional Council of Governments utilizes the service organization Wex Health Inc., (formerly Evolution 1), which is the administrative system used by My Cafeteria Plan who administers the Health Reimbursement Arrangement claims for the Council. The Council's Governing Board has not established procedures to determine if the service organization has implemented sufficient controls which are operating effectively to reduce the risk that claims have not been authorized or completely and accurately processed, there are inaccurate account holder balances, or the system is working improperly.

Failure to implement procedures to monitor the service organization may result in inaccurate processing of claims, incorrect account holder balances, and inaccurate reports submitted.

The Council's Board should implement procedures to verify the accuracy of claims submitted, account balances and reports processed by its service organization.

**Officials' Response:**

The COG is planning on dissolving, and beginning October 1, 2017 the member school districts of the COG will each have a separate agreement with Wex Health Inc. Therefore, no corrective action plan will be done.

**PREBLE COUNTY REGIONAL COUNCIL OF GOVERNMENTS  
PREBLE COUNTY**

**CORRECTIVE ACTION PLAN  
JUNE 30, 2016 AND 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The COG is planning on dissolving, and beginning October 1, 2017 the member school districts of the COG will each have a separate agreement with Wex Health Inc. Therefore, no corrective action plan will be done.	N/A	Kerry Borger, Treasurer



# Dave Yost • Auditor of State

PREBLE COUNTY REGIONAL COUNCIL OF GOVERNMENT

PREBLE 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  
AUGUST 15, 2017