

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Summit Regional HealthCare Consortium
3797 Ridgewood Road
Copley, OH 44321

We have reviewed the *Independent Auditor's Report* of the Summit Regional HealthCare Consortium, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2019. 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 Summit Regional HealthCare Consortium is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

February 10, 2020

This page intentionally left blank.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 7
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements	13 - 23
Required Supplementary Information:	
Notes to the Required Supplementary Information.....	25
Five-Year Loss Development Information.....	26
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	28 - 29

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Summit Regional Healthcare Consortium
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Summit Regional Healthcare Consortium, Summit County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Summit Regional Healthcare Consortium's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 Summit Regional Healthcare 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 Summit Regional Healthcare Consortium's internal control. Accordingly, we express no such 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit Regional Healthcare Consortium, Summit County, Ohio, as of June 30, 2019, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and five-year loss development information listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Summit Regional Healthcare 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 Summit Regional Healthcare Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 20, 2019

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The management's discussion and analysis of the Summit Regional Healthcare Consortium's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position was \$4,986,707 at June 30, 2019. This represents an increase of \$1,715,251, or 52.43%, from June 30, 2018.
- The Consortium had operating revenues of \$35,531,150 and operating expenses of \$33,905,860 for fiscal year 2019. The Consortium had \$54,343 in interest revenue and an increase of \$35,618 in the fair value of the Consortium's investments. Operating income and the increase in net position for the fiscal year was \$1,625,290 and \$1,715,251, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consortium's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Consortium.

Reporting the Consortium Financial Activities

Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2019?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Consortium's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 9-10 of this report.

The statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-23 of this report.

Required Supplementary Information

Five years of loss development information can be found on pages 25-26 of this report.

Net Position and Changes in Net Position

The table below provides a summary of the Consortium's net position for 2019 and 2018.

	2019	2018
Net Position		
<u>Assets</u>		
Cash and cash equivalents with fiscal agent	\$ 4,399,641	\$ 3,302,871
Investments with fiscal agent - current	889,589	1,152,932
Investments with fiscal agent - noncurrent	1,769,441	1,385,309
Receivables (net of allowance for uncollectibles):		
Accounts	460,842	-
Accrued interest	8,564	7,340
Total assets	7,528,077	5,848,452
<u>Liabilities:</u>		
Accounts payable	-	8,874
Claims payable	2,541,370	2,568,122
Total liabilities	2,541,370	2,576,996
<u>Net Position:</u>		
Unrestricted	\$ 4,986,707	\$ 3,271,456

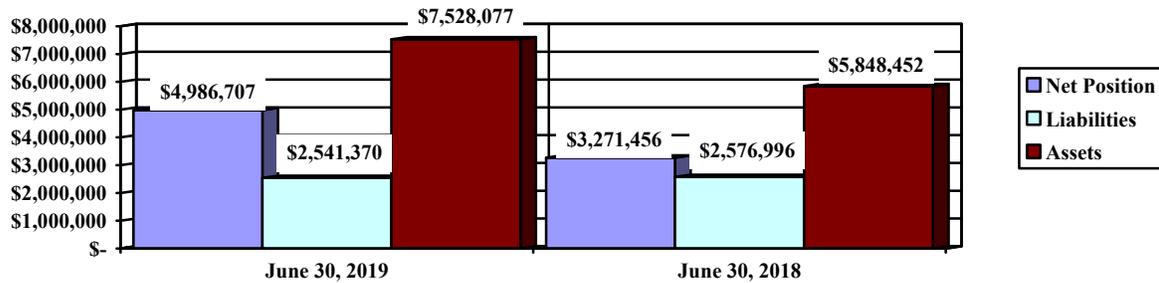
The assets of the Consortium are comprised mainly of cash and cash equivalents and investments that are held with the Consortium's fiscal agent, the Copley-Fairlawn City School District. The Consortium established premiums at a level to build reserves should claims payments fluctuate in a given year. The Consortium will continue to monitor and assess premiums for their sufficiency to cover claims expenses and continue to support reserve levels. The Consortium has recorded a receivable for prescription drug rebates due at year-end from Anthem.

The liability for claims payable is calculated by the Consortium's independent actuary and estimates the claims incurred and due at June 30, 2019. This amount is reflected net of estimated stop-loss reimbursements due to the Consortium at June 30, 2019. Claims payable also includes an accrual for First Stop Health claims incurred prior to June 30, 2019 but paid for in fiscal year 2020.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The chart below shows a breakdown of the Consortium's assets, liabilities and net position at June 30, 2019 and 2018.



The table below shows the changes in net position for fiscal year 2019 and 2018. Certain 2018 amounts have been reclassified to conform to 2019 presentation.

Change in Net Position

	<u>2019</u>	<u>2018</u>
<u>Operating Revenues:</u>		
Participant contributions	\$ 35,070,308	\$ 32,284,424
Prescription drug rebates	460,842	-
Total operating revenues	<u>35,531,150</u>	<u>32,284,424</u>
<u>Operating Expenses:</u>		
Claims	30,274,344	29,655,760
Administrative/stop-loss fees	3,621,705	3,968,236
Miscellaneous	9,811	19,799
Total operating expenses	<u>33,905,860</u>	<u>33,643,795</u>
Operating income (loss)	<u>1,625,290</u>	<u>(1,359,371)</u>
<u>Nonoperating revenues (expenses):</u>		
Interest	54,343	37,420
Increase (decrease) in fair value of investments	<u>35,618</u>	<u>(23,143)</u>
Total nonoperating revenues (expenses)	<u>89,961</u>	<u>14,277</u>
Change in net position	<u>1,715,251</u>	<u>(1,345,094)</u>
Net position, July 1	<u>3,271,456</u>	<u>4,616,550</u>
Net position, June 30	<u>\$ 4,986,707</u>	<u>\$ 3,271,456</u>

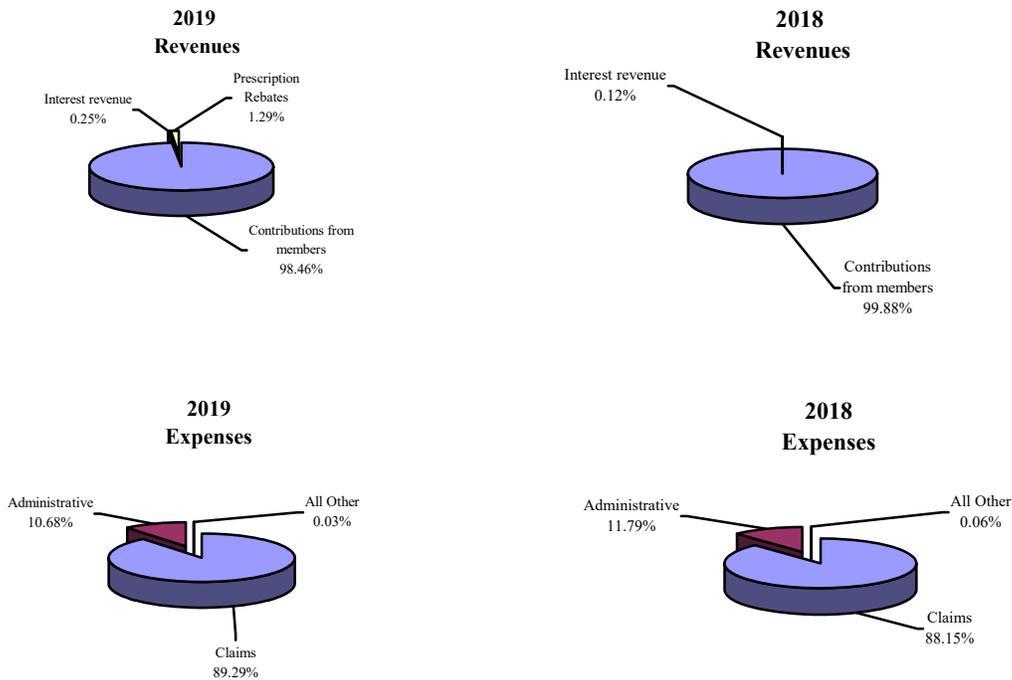
**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Participant contributions revenue exceeded operating expenses in fiscal year 2019. Sufficient participant contributions are required to ensure that the Consortium meets increasing claims expenses. The Consortium added no new members in fiscal year 2019. The Consortium has reported prescription drug rebate revenue for activity related to fiscal year 2019. The Consortium invested primarily in federal agency securities, U.S. Treasury notes, commercial paper, and negotiable CDs during fiscal year 2019. The fair value of investments fluctuates from year-to-year. The Consortium intends to hold all investment to maturity thus eliminating the risk due to fluctuations their fair value while capturing the interest offered by the investments. Administrative/stop loss fees decreased as the Consortium switched Stealth Partner Group to Anthem for stop-loss coverage.

Claims expense represents 89.29% of operating expenses. The Consortium aims to maintain premium revenues at a level sufficient to exceed current year claims expense. Claims expense was 85.21% of total fiscal year 2019 operating revenues. The Consortium uses Anthem Blue Cross/Blue Shield as their third-party administrator.

The charts below reflect the percentage of the revenues and expenses in fiscal year 2019 and 2018.



**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Financial Related Activities

The Consortium is committed to providing its member school districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. The Consortium will continue to look at potential members who meet the established criteria. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Consortium is committed to protecting the long-term financial interests of its core members and will not admit a new member that will adversely impact premiums and claims payments. The Consortium had no new members in fiscal year 2019.

The Consortium requires its member school districts to participate in the medical, prescription and dental insurance program, with individual district choice as to participation in the vision and life programs. The Consortium Board of Directors and its administrative agent, NFP, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for member school districts. Establishing premiums that satisfy all claims, administration fees, and other expenses of the Consortium, in addition to enhancing the net position is important for the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium's Board of Directors is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the member school districts together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 2,000 covered employees, in lieu of each individual district independently entering the insurance marketplace. As the claims cost for medical and prescription drug continue to escalate, the Board of Directors is faced with the unenviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio's public school districts. This is much the same as the dilemma facing American businesses today and is complicated by the fact that each member school district in the Consortium must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Consortium and its Board of Directors, and the future looks better from the collective, as opposed to individual, view of the six member school districts.

Contacting the Consortium's Financial Management

This financial report is designed to provide our member school districts, potential member school districts and investors and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. John Wheadon, Treasurer, Copley-Fairlawn City School District, 3797 Ridgewood Road, Copley, Ohio 44321 or by email at John.Wheadon@copley-fairlawn.org.

THIS PAGE IS INTENTIONALLY LEFT BLANK

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current assets:

Cash and cash equivalents with fiscal agent	\$	4,399,641
Investments with fiscal agent		889,589
Receivables:		
Accounts		460,842
Accrued interest		8,564
		5,758,636
Total current assets		5,758,636

Noncurrent assets:

Investments with fiscal agent		1,769,441
		1,769,441
Total assets		7,528,077

LIABILITIES:

Current liabilities:

Claims payable		2,541,370
		2,541,370

NET POSITION:

Unrestricted	\$	4,986,707
		4,986,707

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues:	
Participant contributions	\$ 35,070,308
Prescription drug rebates	460,842
Total operating revenues	<u>35,531,150</u>
Operating expenses:	
Claims	30,274,344
Administrative/stop-loss fees	3,621,705
Miscellaneous	9,811
Total operating expenses	<u>33,905,860</u>
Operating income	<u>1,625,290</u>
Nonoperating revenues:	
Interest	54,343
Increase in fair value on investments.	35,618
Total nonoperating revenues	<u>89,961</u>
Change in net position.	1,715,251
Net position, July 1	<u>3,271,456</u>
Net position, June 30	<u><u>\$ 4,986,707</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Cash received from participants	\$ 35,070,308
Cash payments for claims	(30,301,096)
Cash payments for administrative fees	(3,621,705)
Cash payments for miscellaneous expenses	(18,685)
	<hr/>
Net cash provided by operating activities	1,128,822
Cash flows from investing activities:	
Purchase of investments	(1,233,960)
Redemption of investments.	1,148,789
Interest received	53,119
	<hr/>
Net cash (used in) investing activities	(32,052)
Net increase in cash and cash equivalents with fiscal agent.	1,096,770
Cash and cash equivalents with fiscal agent, July 1	3,302,871
Cash and cash equivalents with fiscal agent, June 30	\$ 4,399,641
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 1,625,290
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) in accounts receivable.	(460,842)
(Decrease) in accounts payable.	(8,874)
(Decrease) in claims payable	(26,752)
Net cash provided by operating activities.	<hr/> \$ 1,128,822 <hr/>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Summit Regional Healthcare Consortium (the "Consortium") was established during 2007, formed by the Boards of Education of three school districts in Northeast Ohio, for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. On July 1, 2007, the Consortium was formed and operates as a legally separate entity as provided under Ohio Revised Code Chapter 167. Each participating member signed an agreement. The Consortium became operational on July 1, 2010. As of June 30, 2019, the current six members are Barberton City School District, Copley-Fairlawn City School District (the "School District"), Cuyahoga Falls City School District, Norton City School District, Revere Local School District, and Wadsworth City School District.

Some of the more significant provisions of the Consortium are as follows:

A. Board of Directors

The Governing Board of the Consortium is the Board of Directors. The Board of Education of each member appoints its representative to be on the Consortium Board of Directors. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors sets all premiums and other amounts to be paid by the members, and the Board of Directors has the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

B. Fiscal Agent

The Fiscal Agent of the Consortium shall be from the Board of Education of a participating member approved by the Board of Directors and is responsible for administering the financial transactions of the Consortium. The Fiscal Agent carries out the responsibilities of the Consortium, enters into contracts on behalf of the Consortium as authorized by the Board of Directors and carries out such other responsibilities as approved by the Board of Directors and agreed to by the Fiscal Agent. In consideration for its services, the Fiscal Agent may receive a fee from the Consortium in such amount as the Board of Directors shall approve. For the fiscal year ended June 30, 2019, the Fiscal Agent served for a fee of \$3,000 per member district.

C. Benefits

Member contributions are used on a cooperative basis for the provision of health, prescription drug, dental, and/or other health care benefits as provided for in the Consortium Agreement and as established by law. The Board of Directors determines the insurance benefits to be provided by or through the Consortium. Benefit selections may vary among the Consortium Members for any type of benefit program. The participating members have adopted a uniform plan document and the Consortium is administered by a third-party administrator. The Board of Directors determines, at their discretion, which third-party administrator insurance carriers and policies to utilize to provide benefits.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

D. Enrollment by Member School Districts

Each Member decides which benefit program(s) offered by or through the Consortium shall be extended to its employees, but are required to participate in the medical, prescription drug and dental benefit programs.

E. Operating Fund

The Operating Fund consists of all payments made to the Fiscal Agent in accordance with the Agreement, policy dividends or rate refunds (whether received by the Consortium or left with the insurance carriers to accumulate with interest), investments made by the Fiscal Agent and income there from, and any other money or property which shall come into the hands of the Consortium in connection with the administration of the Consortium.

The Fiscal Agent shall maintain records which separately identify by Participating Member all contributions from the respective Participating Member. The Fiscal Agent shall maintain or cause to be maintained records which account for all disbursements or transfers from the Operating Fund and Reserve Fund made on behalf of each Participating Member.

The Fiscal Agent may use the Operating Fund for purposes such as, but not limited to:

1. Transfer of funds to a Third-Party Administrator for payment of claims;
2. Payment of premiums for Stop-Loss Insurance Coverage;
3. Additional disbursements may be made from the Operating Fund by the Fiscal Agent at the discretion of the Board of Directors for any proper purpose of the Consortium, including, but not limited to, payment of fees of any Third-Party Administrator, the Fiscal Agent, consultants and lawyers and payment of other operating expenses; and,
4. Make monthly reports to the Board of Directors on or before the 20th day of each month concerning all contributions to and disbursements from the Operating Fund during the preceding calendar month.

F. Termination / Withdrawal of a Consortium Member

It is the express intention of the Consortium Members that the Agreement and the Consortium shall continue for an indefinite term but may be terminated as provided in the Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium shall notify the Fiscal Agent at least 6 months prior to renewal of any benefits normally, July 1st. Specifics governing the withdrawal of a Consortium Member and the run out of all claims for such Consortium Member are addressed in Section 10 of the Agreement.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

G. Contributions

Each Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such Member, and such contributions are included in the payments from such Member to the Fiscal Agent for the benefit program. Contributions are to be submitted by each Member, to the Fiscal Agent, required under the terms of the Agreement and any benefit program in which such Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared by the Consortium Members as approved by the Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Consortium's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Consortium are not misleading. On this basis, no governmental organizations other than the Consortium itself are included in the financial reporting entity.

B. Fund Accounting

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

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Consortium's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Consortium's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Consortium distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants contributions for insurance coverage. Operating expenses for the Consortium include the payment of claims, stop-loss insurance premiums, administrative fees and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments with Fiscal Agent

The Consortium's Fiscal Agent maintains the Consortium financial activity under a specific fund designated for Consortium activity. The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2019, the Copley-Fairlawn City School District (the "School District") served as Fiscal Agent for the Consortium.

The Treasurer of the School District, who also serves as Fiscal Agent of the Consortium has established a separate depository account for Consortium activities and purchases specific investments for the Consortium. The interest earnings on these Consortium accounts are distributed to the Consortium.

During fiscal year 2019, investments purchased by the Fiscal Agent for the Consortium were limited to Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, a U.S. Treasury note, negotiable certificates of deposit (negotiable CDs), commercial paper, and a U.S. government money market mutual fund. Investments are reported at fair value which is based on quoted market prices.

The fair value of investments was \$8,798 more than their cost basis at June 30, 2019 and was \$26,820 less than their cost basis at June 30, 2018. The fluctuation in the fair values of investments of \$35,618 is reported as a nonoperating revenue in the financial statements.

For purposes of the statement of net position and the statement of cash flows, investments purchased by the Fiscal Agent for the Consortium with original maturities of three months or less at the time they are purchased are considered to be "cash equivalents". Investments purchased by the Fiscal Agent for the Consortium with original maturities of more than three months at the time they are purchased are considered to be "investments". An analysis of the Consortium's cash and investments with its Fiscal Agent at fiscal year-end is provided in Note 3.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

Each member school district of the Consortium is required by Ohio law to adopt an annual budget. The Consortium itself is not required to follow the budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

F. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

G. Fair Value Measurements

The Consortium categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT

The Treasurer of the School District, who also serves as Fiscal Agent of the Consortium, maintains a specific depository account and purchases specific investments for the Consortium. The deposit and investment of Consortium monies follows the investment policy of the School District. The following disclosures are required by GASB Statement No. 40, "Deposits and Investment Risk Disclosures".

State statutes allow the School District as Fiscal Agent for the Consortium to deposit or invest the Consortium's monies in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirement have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook;

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT - (Continued)

6. The No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of Consortium's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As Fiscal Agent, the School District maintains a separate depository account and a separate investment account for monies specific to the Consortium. The amounts held in the depository account and the investment account at fiscal year year-end are described below.

A. Deposits with Fiscal Agent held in Financial Institutions

At June 30, 2019, the carrying amount of the Consortium's deposits was \$4,373,623 and the bank balance of the Consortium's deposits was \$4,918,958. Of the bank balance, \$250,000 was covered by the FDIC, \$2,334,479 was covered by the Ohio Pooled Collateral System, and \$2,334,479 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Consortium has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Consortium's financial institution was approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT - (Continued)

B. Investments with Fiscal Agent

At June 30, 2019, the Consortium had the following investments purchased by the Fiscal Agent:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
FNMA	\$ 731,639	\$ -	\$ -	\$ 337,913	\$ 134,673	\$ 259,053
FHLMC	189,565	189,565	-	-	-	-
U.S. Treasury Note	59,872	59,872	-	-	-	-
Negotiable CDs	1,037,802	-	-	493,443	-	544,359
Commercial Paper	640,152	511,668	128,484	-	-	-
U.S. Government Money Market Mutual Fund	26,018	26,018	-	-	-	-
Total	<u>\$ 2,685,048</u>	<u>\$ 787,123</u>	<u>\$ 128,484</u>	<u>\$ 831,356</u>	<u>\$ 134,673</u>	<u>\$ 803,412</u>

The weighted average maturity of investments is 1.54 years.

The Consortium's investment in the U.S. Government money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs). The Consortium's investments in federal agency securities (FNMA, FHLMC), U.S. Treasury note, commercial paper, and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Disclosures regarding investments of the Consortium are as follows:

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy (which the Consortium follows) limits investment portfolio maturities to five years or less.

Credit Risk: The Consortiums investments in federal agency securities were rated Aaa by Moody's Investor Services and AA+ by Standard & Poor's. The U.S. government money market mutual fund was rated AAAM by Standard & Poor's. The U.S. Treasury note was rated Aaa and AA+ by Moody's and Standard & Poor's, respectively. The commercial paper was rated P-1 and between A-1 and A-1+ by Moody's and Standard & Poor's, respectively. The negotiable CDs were not rated but are fully insured by the FDIC. The School District's investment policy (which the Consortium follows) does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District, as Fiscal Agent for the Consortium, will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Consortium's investments in federal agency securities, U.S. Treasury note, and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's or Consortium's name. The School District's investment policy (which the Consortium follows) does not deal with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The School District's investment policy (which the Consortium follows) places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at June 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FNMA	\$ 731,639	27.25
FHLMC	189,565	7.06
U.S. Treasury Note	59,872	2.23
Negotiable CDs	1,037,802	38.65
Commercial Paper	640,152	23.84
U.S. Government Money Market Mutual Fund	<u>26,018</u>	<u>0.97</u>
Total	<u>\$ 2,685,048</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments with Fiscal Agent to the Statement of Net Position

The following is a reconciliation of cash and investments with Fiscal Agent as reported in the note above to cash and investments with Fiscal Agent reported on the statement of net position as of June 30, 2019:

<u>Cash and investments with Fiscal Agent per note</u>	
Carrying amount of deposits with Fiscal Agent	\$ 4,373,623
Investments with Fiscal Agent	<u>2,685,048</u>
Total	<u>\$ 7,058,671</u>
<u>Cash and investments with Fiscal Agent per financial statements</u>	
Cash and cash equivalents with Fiscal Agent	\$ 4,399,641
Investments with Fiscal Agent - current	889,589
Investments with Fiscal Agent - noncurrent	<u>1,769,441</u>
Total	<u>\$ 7,058,671</u>

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - RISK MANAGEMENT

The Consortium is a jointly governed organization, which acts as a government risk pool for health, prescription drug and dental insurance for its six members.

The Consortium has contracted with NFP Insurance Services, Inc. to assist the Consortium in administering its insurance program. For fiscal year 2019, the Consortium contracted with a third-party administrators Anthem and Delta Dental, to process health benefit claims and dental claims, respectively, incurred by its members. Payments are made by members to the Consortium for monthly health insurance premiums, COBRA administration, monthly stop-loss premiums and administrative charges. The Consortium makes monthly payments to the third-party administrator for actual insurance claims processed, stop-loss coverage, COBRA administration and administrative charges incurred on behalf of the Consortium members.

No employer, employee, or person claiming benefit by or through an employee shall have any claim against the Consortium or any property of the Consortium. The rights and interest of employees and persons claimed by or through employees shall be limited to benefits offered by or through the Consortium in accordance with the Agreement. The Consortium purchases or otherwise provides for the benefit of itself, the Board of Directors and/or the Fiscal Agent such liability insurance with such limits of coverage deemed necessary and as approved by the Board of Directors. A third-party insured the Consortium for specific stop-loss claims in excess of \$200,000 per covered person for the year ended June 30, 2019. The annual maximum specific stop-loss claims per covered person for 2019 were unlimited. There is not an aggregate stop-loss maximum provided by Anthem.

Any Member who withdraws from the Consortium pursuant to the Agreement has no claim to the Consortium's assets.

The Consortium holds all reserves including Incurred But Not Reported (IBNR), Shock Stabilization and Fluctuation reserves. However, these reserves are allocated to members on a capitalized basis for accounting purposes.

The Consortium is self-insured for member district employee health insurance claims but maintains aggregate stop-loss insurance with Anthem. The Self-Insurance Fund pays covered claims to service providers and recovers these costs from premium charges to member districts based on calculations provided by NFP.

The claims liability of \$2,541,370 reported at June 30, 2019, reported net of estimated stop-loss reimbursements due to the Consortium of \$148,847, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - RISK MANAGEMENT - (Continued)

Changes in claims activity for the fiscal years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Claims payable at beginning of fiscal year	\$ 2,568,122	\$ 2,846,929
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	33,126,335	31,915,082
(Decrease) in claims expenses for insured events of the prior years	(2,851,991)	(2,259,322)
Total claims expenses	30,274,344	29,655,760
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	28,569,326	27,331,321
Claims expenses paid attributable to insured events of prior years	1,731,770	2,603,246
Total claims payments	30,301,096	29,934,567
Claims payable at end of fiscal year	\$ 2,541,370	\$ 2,568,122

NOTE 5 - LITIGATION

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

NOTE 6 - RECEIVABLES

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2019, the Consortium reported a \$8,564 accrued interest receivable for accrued interest on investments and recorded a \$460,842 account receivable for prescription drug rebates from Anthem related to fiscal year 2019 activity. These receivables are expected to be collected within one year.

NOTE 7 - WELLNESS PROGRAM

The Consortium approved a one-year Wellness Plan (the "Plan") effective July 1, 2018. This Plan was established in connection with an agreement with the Consortium's third-party administrator who agreed to reimburse the Consortium up to \$125,000 for the fiscal year ending June 30, 2019. Under the Plan, the Consortium entered into a one-year contract, effective August 1, 2012 and renewing annually, with a wellness program consultant (Be Well Solutions) with an annual fee of \$42,300. In addition, fees for each participant are charged for other services provided, such as screening, health fairs and flu shots.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2019, the Consortium has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Consortium.

NOTE 9 - SIGNIFICANT SUBSEQUENT EVENT

The Woodridge Local School District became a member of the Consortium effective July 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FIVE-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Consortium's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Consortium as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Consortium including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Consortium's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information prior to fiscal year 2015 is not available.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
FIVE-YEAR LOSS DEVELOPMENT INFORMATION ⁽¹⁾**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Premiums and investment income ⁽²⁾	\$ 29,151,426	\$ 29,791,814	\$ 30,686,338	\$ 32,298,701	\$ 35,160,269
2. Unallocated expenses ⁽²⁾	3,311,613	2,877,080	2,820,405	3,988,035	3,631,516
3. Estimated losses incurred and expense, end of year	26,027,051	28,810,834	31,011,128	31,915,082	33,126,335
4. Paid, cumulative as of:					
End of accident year	22,205,535	24,382,860	26,148,560	27,331,321	28,569,326
One year later	24,136,451	26,705,740	28,751,806	29,063,091	-
Two years later	24,136,451	26,705,740	28,751,806	-	-
Three years later	24,136,451	26,705,740	-	-	-
Four years later	24,136,451	-	-	-	-
5. Re-estimated incurred losses and expense:					
End of accident year	26,027,051	28,810,834	31,011,128	31,915,082	33,126,335
One year later	24,136,451	26,705,740	28,751,806	29,063,091	-
Two years later	24,136,451	26,705,740	28,751,806	-	-
Three years later	24,136,451	26,705,740	-	-	-
Four years later	24,136,451	-	-	-	-
6. Decrease in estimated incurred losses and expenses from end of accident year	(1,890,600)	(2,105,094)	(2,259,322)	(2,851,991)	-

Notes:

⁽¹⁾ Information prior to fiscal year 2015 is not available. This schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

⁽²⁾ Information for 2015 and 2016 presented on the cash-basis of accounting.

THIS PAGE IS INTENTIONALLY LEFT BLANK



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

Summit Regional Healthcare Consortium
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

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 Summit Regional Healthcare Consortium, Summit County, Ohio as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Summit Regional Healthcare Consortium's basic financial statements and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Summit Regional Healthcare 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 Summit Regional Healthcare 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 Summit Regional Healthcare 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 Summit Regional Healthcare 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*.

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 Summit Regional Healthcare Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Summit Regional Healthcare Consortium's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 20, 2019

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



SUMMIT REGIONAL HEALTH CARE CONSORTIUM

SUMMIT 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
FEBRUARY 20, 2020**