

**OHIO SCHOOL EMPLOYEES
INSURANCE CONSORTIUM**

SUMMIT COUNTY

REGULAR AUDIT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2023**

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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

Board of Directors
Ohio School Employees Insurance Consortium
6075 Manchester Road
Akron, Ohio 44319

We have reviewed the *Independent Auditor's Report* of the Ohio School Employees Insurance Consortium, Summit County, prepared by Plattenburg & Associates, Inc., for the audit period October 1, 2022 through September 30, 2023. 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 Ohio School Employees Insurance 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

April 12, 2024

This page intentionally left blank.

**OHIO SCHOOL EMPLOYEES INSURANCE CONSORTIUM
SUMMIT COUNTY
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report.....	1
Financial Statements:	
Statement of Receipts, Disbursements and Changes in Fund Cash Balance	3
Notes to the Basic Financial Statements	4
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	7
Schedule of Findings.....	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ohio School Employees Insurance Consortium

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of the cash balances, receipts and disbursements for the proprietary fund of the Ohio School Employees insurance Consortium , Summit County, Ohio (the Consortium) as of and for the year ended September 30, 2023, and related notes to the financial statements.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of September 30, 2023, or the respective changes in financial position or cash flows thereof for the year then ended.

Basis for Adverse Opinion on the Financial Statements as a Whole

As described in Note 1 of the financial statements, the financial statements are prepared by the Consortium, on the basis of financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standard issued by the Comptroller General of the United States*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Consortium, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2024, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consortium's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

April 1, 2024

Ohio School Employees Insurance Consortium
Summit County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Cash Balance
For the Fiscal Year Ended September 30, 2023

	2023
Operating Cash Receipts	
Charges for Services	\$ 574,626
Prescription Drug Rebates	45,628
<i>Total Operating Cash Receipts</i>	620,254
Operating Cash Disbursements	
Payments to Third-Party Administrator:	
Stop Loss Premiums	422,077
Administration Fees	67,384
Professional Fees	26,305
<i>Total Operating Cash Disbursements</i>	515,766
<i>Excess of Receipts Over (Under) Disbursements</i>	104,488
Non-Operating Cash Receipts	
Interest Receipts	2,650
<i>Net Change in Fund Cash Balance</i>	107,138
<i>Fund Cash Balance, October 1</i>	782,137
<i>Fund Cash Balance, September 30</i>	\$ 889,275

See accompanying notes to the basic financial statements.

Ohio School Employees Insurance Consortium
Summit County, Ohio

Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2023

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Ohio School Employees Insurance Consortium, (the Consortium) is a school district insurance consortium established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Consortium is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No.10, as amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees and covered dependents in accordance with the Consortium’s agreement and bylaws.

The Board of Directors is the legislative and managerial body of the Consortium. Each of the participating member districts is represented on the Board of Directors by their respective superintendent or a designee of their superintendent. The superintendent of Manchester Local School District has designated the treasurer of the fiscal agent to serve on the Board. All members of the Board of Directors serve without compensation. Officers are elected from the Board of Directors for a one year term.

The Consortium members include the Manchester Local School District Board of Education. Members may withdraw from the Consortium or from any particular benefits program with at least a 30 day notice. Effective May 31, 2023, the Consortium has no members and ceased operations.

All administrative costs and disbursements incurred for the maintenance of the Consortium are paid through the benefit pool account balances through September 30, 2023.

The Manchester Local School District serves as fiscal agent for the Consortium. The fiscal agent is responsible for administering the financial transactions of the Consortium. The fiscal agent enters into contracts on behalf of the Consortium as authorized by the Board of Directors and carries out other responsibilities as approved by the Board of Directors and agreed to by the fiscal agent. The treasurer of the fiscal agent is the treasurer of the Consortium. The fiscal agent maintains the Consortium’s fund as a custodial fund and separate from all other funds of the fiscal agent.

Management believes these financial statements present all activities for which the Consortium is financially accountable.

B. Basis of Accounting

Although required by Ohio Administrative Code 117-02-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the Consortium has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

Ohio School Employees Insurance Consortium
Summit County, Ohio

Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2023

C. 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 maintains an enterprise fund to account for its expendable financial resources and related current disbursements.

D. Budgetary Process

The Consortium is not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 and has decided not to adopt a formal budget annually as part of their amended agreement and bylaws.

E. Cash and Cash Equivalents

Cash received by the Consortium is reflected as “Fund Cash Balance” on the Statement of Receipts, Disbursements and Changes in Fund Cash Balance. The Consortium did not have any investments during the period ended September 30, 2023.

F. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activities of the Consortium. For the Consortium, these receipts are primarily charges for services. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the Consortium. All receipts and disbursements not meeting this definition are reported as non-operating. There were no non-operating disbursements reported at September 30, 2023.

NOTE 2 – CASH

The Consortium maintains a checking account. The Consortium is not required by law to have an investment policy.

At year-end, \$638,795 of the Consortium’s bank balance of \$888,795 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the Consortium’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

NOTE 3 – RISK MANAGEMENT

The Consortium uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurance, although it does not discharge the primary liability of the Consortium as direct insurer of the risks reinsured. The Consortium is contingently liable with respect to certain loss coverage, which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

Ohio School Employees Insurance Consortium
Summit County, Ohio

Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2023

The Consortium has contracted with a third-party administrator, Medical Mutual Services, to process and pay claims incurred by its members. The members contribute monthly premiums into the benefit pool fund of the Consortium. The treasurer approves payments to the third-party administrator for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Consortium members.

Members have two funding options:

Fully-funded consortium member – a member that is obtaining welfare benefit coverage for its employees through a fully funded arrangement and pays a single fully funded rate per participant that covers claims, risk charges, reserve charges, administrative fees and consortium fees. Upon withdrawal by any fully-funded member, the Consortium shall be solely responsible for all benefit claims run-out. The Consortium has no fully-funded members.

Self-insured consortium member – a member that is obtaining welfare benefit coverage for its employees through a self-funding arrangement in which the member, rather than the Consortium, assumes liability for claims experience. Upon withdrawal by any self-insured member, the member shall be solely responsible for all benefit claims run-out.

Upon withdrawal from the Consortium, no member shall be entitled to the return or refund of any premiums or other amounts paid to the Consortium.

NOTE 4 – PROFESSIONAL FEES

The Consortium has contracted with a third party to provide administrative billing, payment application and remittance services. The Consortium has also contracted with Associated Underwriters Insurance to provide brokerage services.

NOTE 5 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the Consortium to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For the fiscal year, the Consortium prepared financial statements that report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code, Section 117.38, the Consortium may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

To the Board of Directors
Ohio School Employees Insurance Consortium

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio School Employees Insurance Consortium (the Consortium), as of and for the year ended September 30, 2023, and the related notes to the financial statements and have issued our report thereon dated April 1, 2024, wherein we issued an adverse opinion on the Consortium's financial statements because the Consortium did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Consortium's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of reasonably assuring whether the Consortium's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2023-001.

Consortium's Response to Findings

The Consortium's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Consortium'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 Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

April 1, 2024

OHIO SCHOOL EMPLOYEES INSURANCE CONSORTIUM
SCHEDULE OF AUDIT FINDINGS
September 30, 2023

2023- 001 Finding Type — Noncompliance — GAAP Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report to the form utilized by the public office. Ohio Administrative Code Section 117-2-03(B) further clarifies the requirements of Ohio Rev. Code 117.38. It was revised in 2015 to require insurance pools to prepare annual GAAP financial report filings. The Consortium did not prepare its financial statements in accordance with Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B).

Recommendation:

We recommend the Consortium prepare its financial statements on the GAAP basis of accounting.

Management's Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the Consortium's assets.

OHIO AUDITOR OF STATE KEITH FABER



OHIO SCHOOL EMPLOYEES INSURANCE CONSORTIUM

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/25/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov