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## **Greater Cincinnati Insurance Consortium**

Financial Statements

Years Ended June 30, 2011 and 2010

with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Directors  
Greater Cincinnati Insurance Consortium  
11083 Hamilton Avenue  
Cincinnati, Ohio 45231

We have reviewed the *Independent Auditors' Report* of the Greater Cincinnati Insurance Consortium, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Greater Cincinnati Insurance Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 2, 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Greater Cincinnati Insurance Consortium:

We have audited the accompanying financial statements of the Greater Cincinnati Insurance Consortium (the Consortium) as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Consortium has prepared these financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United State of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Consortium to reformat its financial statement presentation. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Consortium to reformat their statements. The Consortium has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Greater Cincinnati Insurance Consortium, as of June 30, 2011 and 2010, and its cash receipts and cash disbursements for the years then ended on the accounting basis Note 1 describes.

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The Consortium has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
May 7, 2012

Greater Cincinnati Insurance Consortium  
 Statements of Cash Receipts, Cash Disbursements and Changes in Cash Balances  
 For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating Cash Receipts:</b>		
Contributions from member districts	\$ 32,682,899	30,373,458
COBRA receipts	<u>105,690</u>	<u>16,561</u>
Total operating cash receipts	<u>32,788,589</u>	<u>30,390,019</u>
<b>Operating Cash Disbursements:</b>		
Claim settlements	30,495,109	27,541,306
Third party administrator fee	1,712,630	1,591,441
Insurance premiums	290,228	287,673
Administration expenses	104,131	137,448
COBRA administration	<u>21,344</u>	<u>26,954</u>
Total operating cash disbursements	<u>32,623,442</u>	<u>29,584,822</u>
Operating cash receipts over operating cash disbursements	165,147	805,197
<b>Non-Operating Cash Receipts:</b>		
Interest earnings	<u>148,619</u>	<u>184,758</u>
Receipts over disbursements	313,766	989,955
<b>Cash Balances:</b>		
Beginning of year	<u>15,939,644</u>	<u>14,949,689</u>
End of year	\$ <u>16,253,410</u>	<u>15,939,644</u>

See accompanying notes to the financial statements.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Description of the Entity**

The Greater Cincinnati Insurance Consortium, Hamilton County, Ohio (the Consortium), organized under Ohio Revised Code Chapter 167, was established for the purpose of establishing and carrying out a cooperative health program. The Consortium is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws of the Consortium.

The Greater Cincinnati Insurance Consortium is a legally separate consortium. The Consortium is a jointly governed organization with member governmental entities. The Consortium was formed to maximize benefits and/or reduce costs of medical, prescription drug, dental, and/or other group insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The governing board consists of the superintendent or other designee appointed by each of the members of the Consortium. As of June 30, 2011 there were 14 member Districts.

The Consortium utilizes the Hamilton County Educational Service Center (the Service Center) as its fiscal agent. The Treasurer of the fiscal agent maintains the Consortium Fund as a custodial fund and separate and apart from all other funds of the fiscal agent.

The Consortium is a self insurance pool sponsored by the Service Center and administered by a third party administrator. The Consortium's third party administrator for the medical insurance plan is Anthem and for the dental insurance plan is Dental Care Plus. Claims are made to the third party administrators by covered individuals. The third party administrators process the claims, approve or deny, and make payments to medical and dental providers. The third party administrators submit a list of claims paid to the Consortium, who in turn submits payments to the third party administrators.

Membership in the Consortium is dependent upon each member enrolling in all benefit programs offered by or through the Consortium. If a member district withdraws from the Consortium, it would not receive a refund of premiums paid to the consortium and it may not rejoin for a period of two years. New schools district may become members of the Consortium only upon approval by the Board of Directors of the Consortium.

### **B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

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

**C. Cash and Investments**

The Consortium's cash is held and invested by Service Center, who acts as custodian for Consortium monies. The Service Center maintains the Consortium Fund as a custodial fund and separate and apart from all other funds. During fiscal years 2011 and 2010, the Consortium's investments were limited to U.S. Agency securities and money market accounts.

**2. CASH AND INVESTMENTS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the deposits and investments as June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 4,963,214	\$ 4,792,955
U.S. agency securities	10,036,512	10,433,737
Money market accounts	<u>1,253,684</u>	<u>712,952</u>
Total investments	<u>11,290,196</u>	<u>11,146,689</u>
Total deposits and investments	<u>\$ 16,253,410</u>	<u>\$ 15,939,644</u>

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

**Investments:** The Consortium invests in U.S. Agency Securities and a money market fund. The Federal Reserve holds the Consortium's U.S. Agency Securities in book-entry form in the name of the Consortium's financial institution. The financial institution maintains records identifying the Consortium as owner of these securities.

**3. RISK MANAGEMENT**

The Consortium is self insured for medical, dental and prescription drug insurance. Membership rates are charged based on claims approved by the third party administrators (Anthem and Dental Care Plus). Member districts may withdraw from the Consortium at the end of any fiscal year, and may be removed for failure to make the required payments. The Consortium will pay the run out of all benefit claims of the withdrawing member as long as the withdrawing member prior to the effective date of withdrawal paid to the Consortium a withdrawal fee in an amount equal to two months' premiums at the current rates. Upon automatic withdrawal for non-payment by any member district, the Consortium will pay the run out of all benefit claims provided the Consortium has received all outstanding and unpaid premiums.

#### **4. LOSS RESERVE**

Since the medical, dental and prescription drug programs are self insured, the loss reserve must be equal to or less than the actual fund balance. The fund balance as of June 30, 2011 and June 30, 2010 was \$16,253,410 and \$15,939,644, respectively.

The loss reserve, certified by a statement of actuarial opinion provided by an actuary who is a member of the American Academy of Actuaries, for the fiscal years ended June 30, 2011 and June 30, 2010 was \$5,022,400 and \$4,689,700, respectively.

The medical, dental and prescription drug programs meet the loss reserve.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Greater Cincinnati Insurance Consortium:

We have audited the financial statements of Greater Cincinnati Insurance Consortium, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated May 7, 2012 wherein we noted the Consortium followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The Consortium is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
May 7, 2012





# Dave Yost • Auditor of State

**GREATER CINCINNATI INSURANCE CONSORTIUM**

**HAMILTON 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  
JULY 17, 2012**