

***NORTH CENTRAL OHIO TRUST REGIONAL
COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM***

SENECA COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2023



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program
928 West Market Street
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2022 through June 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 North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program 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

January 29, 2024

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NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY
REGULAR AUDIT
For the Year Ending June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

North Central Ohio Trust Regional Council of Governments
Joint Self-Insurance Health Program
Seneca County
928 W Market Street
Tiffin, Ohio 44883

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio (the Consortium), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 GAAS and *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 GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Ten-Year Loss Development Information Schedule, listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, 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.



Charles E. Harris & Associates, Inc.
November 22, 2023

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**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

The management's discussion and analysis of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2023. 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 2023 are as follows:

- In total, net position was \$258,422 at June 30, 2023. This represents an increase of \$1,703,875, or 117.88%, from June 30, 2022's net position.
- The Consortium had operating revenues of \$18,920,770 and operating expenses of \$17,219,830 for fiscal year 2023. The Consortium had \$2,935 in interest revenue earned on the Consortium's investments. Operating income and the increase in net position for the fiscal year was \$1,700,940 and \$1,703,875, 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 2023?" 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.

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 13-19 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

Required Supplementary Information

Ten years of loss development information can be found on pages 23-25 of this report.

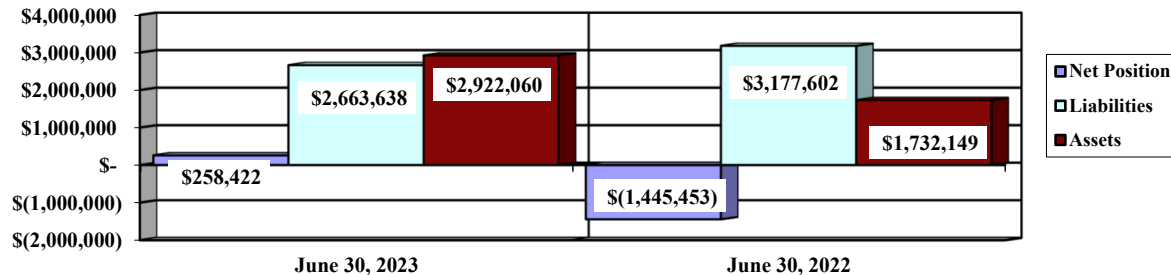
Net Position and Changes in Net Position

The table below provides a summary of the Consortium's net position at June 30, 2023 and June 30, 2022.

	Net Position	
	2023	2022
<u>Assets</u>		
Cash and cash equivalents with fiscal agent	\$ 2,297,015	\$ 937,421
Receivables (net of allowance for uncollectibles):		
Stop loss reimbursements	74,170	185,806
Rebates and refunds	542,377	367,477
Prepayments	8,498	241,445
Total assets	2,922,060	1,732,149
<u>Liabilities:</u>		
Accounts payable	21,593	15,386
Intergovernmental payable	4,176	-
Claims payable	1,810,068	1,940,550
Advances from fiscal agent	-	848,000
Unearned revenue	827,801	373,666
Total liabilities	2,663,638	3,177,602
<u>Net Position:</u>		
Unrestricted	\$ 258,422	\$ (1,445,453)

The assets of the Consortium are comprised mainly of cash and cash equivalents that are held with the Consortium's fiscal agent, the North Central Ohio Educational Service Center. Liabilities of the Consortium are mainly claims payable related to medical, prescription and vision incurred but not reported (IBNR) claims outstanding at fiscal year-end and unearned revenue for member premiums received early.

The chart below shows a breakdown of the Consortiums assets, liabilities and net position at June 30, 2023 and June 30, 2022.



**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

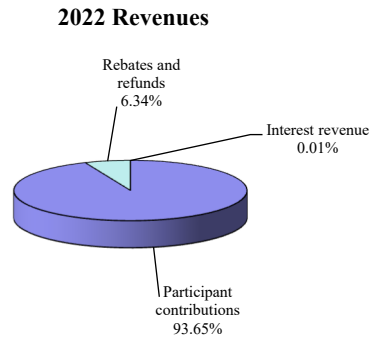
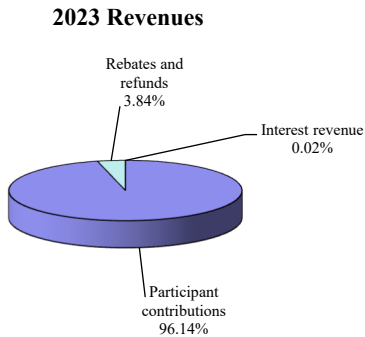
The table below shows the changes in net position for fiscal year 2023 and 2022.

Change in Net Position

	2023	2022
<u>Operating Revenues:</u>		
Participant contributions	\$ 18,194,609	\$ 16,348,943
Rebates and refunds	726,161	1,107,142
Total operating revenue	<u>18,920,770</u>	<u>17,456,085</u>
<u>Operating Expenses:</u>		
Claims	13,594,691	15,239,605
Life insurance premiums	100,895	98,594
Carrier stop loss premiums	1,857,813	1,654,684
Purchased services	1,645,786	1,459,853
Other	20,645	7,314
Total operating expenses	<u>17,219,830</u>	<u>18,460,050</u>
Operating income (loss)	<u>1,700,940</u>	<u>(1,003,965)</u>
<u>Nonoperating revenues:</u>		
Interest revenue	2,935	553
Total nonoperating revenues	<u>2,935</u>	<u>553</u>
Change in net position	<u>1,703,875</u>	<u>(1,003,412)</u>
Net position, July 1	<u>(1,445,453)</u>	<u>(442,041)</u>
Net position, June 30	<u>\$ 258,422</u>	<u>\$ (1,445,453)</u>

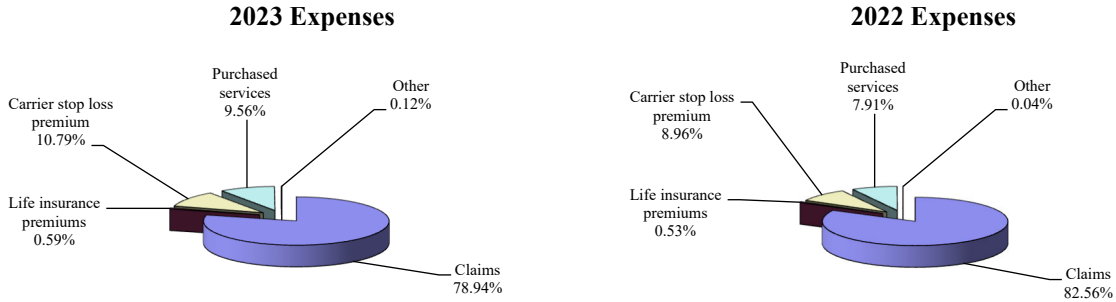
Operating revenues of the Consortium increased \$1,464,685 or 8.39%. This increase was the result of an increase in premiums charged to members to help offset previous deficits. Operating expenses of the Consortium decreased \$1,240,220 or 6.72%. This decrease is primarily due to a decrease in claims expenses. In the prior fiscal year, the Consortium had an abnormally large amount of claims related to medical, prescription, dental and vision.

The charts below reflect the percentage of the revenues and expenses in fiscal year 2023 and 2022.



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**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**



Current Financial Related Activities

The Consortium is comprised of six members for fiscal year 2023: Mohawk Local School District, Old Fort Local School District, Seneca East Local School District, Tiffin City School District, Buckeye Local School District (Medina County) and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center currently serves as the Fiscal Agent of the Consortium.

The most significant challenge facing the Consortium’s members and Assembly is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These services led to the members joining together to form the Consortium in hopes of benefiting from economies of scale by pooling their assets to obtain lower rates. The Assembly will continue to monitor rising costs and will adjust the premiums charged to the members in future years to offset these costs.

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 Ms. Jennifer Hedrick Treasurer/CFO, North Central Ohio Educational Service Center, 928 W. Market Street, Tiffin, Ohio, 44883 or by email at jhedrick@ncoesc.org.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
 JOINT SELF-INSURANCE HEALTH PROGRAM
 SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION
 JUNE 30, 2023

Assets:	
Cash and cash equivalents with fiscal agent	\$ 2,297,015
Receivables:	
Stop loss reimbursements	74,170
Rebates and refunds	542,377
Prepayments	<u>8,498</u>
Total assets	<u>2,922,060</u>
Liabilities:	
Current liabilities:	
Accounts payable	21,593
Intergovernmental payable	4,176
Claims payable	1,810,068
Unearned revenue	<u>827,801</u>
Total liabilities	<u>2,663,638</u>
Net position:	
Unrestricted	<u>258,422</u>
Total net position	<u><u>\$ 258,422</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating revenues:	
Participant contributions	\$ 18,194,609
Rebates and refunds	726,161
Total operating revenues	<u>18,920,770</u>
 Operating expenses:	
Claims	13,594,691
Life insurance premiums	100,895
Carrier stop loss premiums	1,857,813
Purchased services	1,645,786
Other	20,645
Total operating expenses	<u>17,219,830</u>
 Operating income	 <u>1,700,940</u>
 Non-operating revenues:	
Interest revenue	2,935
Total nonoperating revenues	<u>2,935</u>
 Change in net position	 1,703,875
 Net position at beginning of year	 <u>(1,445,453)</u>
Net position at end of year	<u><u>\$ 258,422</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from participants	\$ 18,760,380
Cash received from rebates and refunds	551,261
Cash payments for claims	(13,725,173)
Cash payments for life insurance premiums	(109,106)
Cash payments for carrier stop loss premiums	(1,717,945)
Cash payments for purchased services	(1,534,113)
Cash payments for other expenses	(20,645)
	<hr/>
Net cash provided by operating activities	2,204,659
Cash flows from noncapital financing activities:	
Cash used in repayment of advance from fiscal agent	(848,000)
	<hr/>
Net cash used in noncapital financing activities	(848,000)
Cash flows from investing activities:	
Interest received	2,935
	<hr/>
Net cash provided by investing activities	2,935
Net change in cash and cash cash equivalents with fiscal agent	1,359,594
Cash and cash equivalents with fiscal agent at beginning of year	937,421
Cash and cash equivalents with fiscal agent at end of year	<u><u>\$ 2,297,015</u></u>
Reconciliation of operating income to Net cash provided by operating activities	
Operating income	\$ 1,700,940
Changes in assets and liabilities:	
Stop loss premiums receivable	111,636
Rebates and refunds receivable	(174,900)
Prepayments	232,947
Accounts payable	6,207
Intergovernmental payable	4,176
Claims payable	(130,482)
Unearned revenue	454,135
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Net cash provided by operating activities	<u><u>\$ 2,204,659</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 - DESCRIPTION OF THE ENTITY

The North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program (the "Consortium") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Consortium was established on January 1, 2013, and was formed after formerly being a part of the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). The Consortium was formed by the Boards of Education of several school districts in northwest Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, prescription, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The six members of the Consortium at June 30, 2023, were Mohawk Local School District, Old Fort Local School District, Seneca East Local School District, Tiffin City School District, Buckeye Local School District (Medina County) and North Central Ohio Educational Service Center.

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

A. Assembly

The Assembly shall be the legislative and managerial body of the Consortium. The Assembly shall be composed of the representatives of the Members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. The individual or individuals serving as Treasurer and Recording Secretary of the Consortium and the person, if any, who may be serving as Administrator of the Consortium each shall be ex-officio members of the Assembly and may attend all meetings of the Assembly but shall not count for purposes of determining a quorum and shall not vote.

B. Fiscal Agent

The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2023, the North Central Ohio Educational Service Center (the "ESC") served as Fiscal Agent for the Consortium. The Fiscal Agent shall be selected each Fiscal Year by the Assembly and shall be a Member. The Fiscal Agent shall in turn appoint the Treasurer and Recording Secretary of the Consortium. The Fiscal Agent may appoint one person to serve in both capacities or may select one person for each position. However, the individual appointed as Treasurer must be the fiscal officer of the Member serving as the Fiscal Agent. The Consortium shall pay a reasonable management fee to the Fiscal Agent. The Fiscal Agent will reflect the financial records of the Consortium in its own records. The Member serving as Fiscal Agent shall also obtain additional fidelity bond coverage for the Treasurer in an amount determined by the Assembly and with a surety company approved by the Assembly, unless the Assembly determines that the Treasurer's existing fidelity bond is adequate.

C. Consortium Funds

The Consortium's Funds shall be established and maintained by the Treasurer of the Consortium separate and apart from all other funds which may be under the custody of the Treasurer. A separate fund shall be established for each program of the Consortium. In the event that the Consortium is operating a number of programs, the Consortium shall establish a separate fund (herein referred to as the "Consortium Fund") for the payment of overhead costs of the Consortium not solely attributable to any one program. Those overhead costs may be allocated to the various programs of the Consortium and moneys may be transferred from the various program funds to the Consortium Fund in such manner as may be authorized by the Assembly, consistent with the budget, pursuant to Section 11 of the Bylaws. The Consortium Fund shall be subject to the laws of the State concerning the investment and management of public funds, particularly Revised Code Chapter 135, and shall be the responsibility of the Treasurer.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

C. Estimated Consortium Costs: Payments by Members

Prior to November 30 in the Fiscal Year preceding the Fiscal Year for which the following estimates are made, the Assembly shall: (a) compile and generate a written estimate of the costs of operating the Consortium and its programs for the next Fiscal Year, separately itemized for each program of the Consortium, and (b) provide each Member with an estimate of each Member's share of those costs, separately itemized for each program in which that Member participates. The costs of each program shall be apportioned among the Members participating in the program as provided in the written agreement for each program. Any costs relating to the operation of the Consortium and not included in the program costs shall be apportioned among the Members in the manner determined by the Assembly. The estimates shall be presented in enough detail so that the Members can determine their sufficiency.

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.

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.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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, prescription drug rebates and subrogation reimbursements. Operating expenses for the Consortium include the payment of claims, carrier stop loss premiums and administrative and other fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents 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 2023, the North Central Ohio Educational Service Center served as Fiscal Agent for the Consortium.

The Treasurer of the Consortium, who also serves as Treasurer of the Fiscal Agent (the North Central Ohio Educational Service Center) 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 2023, the Consortium's cash was maintained in demand deposit accounts.

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 Consortiums cash and investments with its Fiscal Agent at fiscal year-end is provided in Note 3.

E. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

F. Budgetary Process

Each member school district of the Consortium are 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.

G. 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.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 3 - CASH AND CASH EQUIVALENTS WITH FISCAL AGENT

The Treasurer of the Consortium, who also serves as Treasurer of the Fiscal Agent, 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 ESC. The following disclosures are required by GASB Statement No. 40, “Deposits and Investment Risk Disclosures”. State statutes allow the ESC as Fiscal Agent for the Consortium to deposit or invest the Consortium’s monies in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that 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 that 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 requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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, the State Treasury Asset Reserve of Ohio (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 the 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 Consortium, 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.

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SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

As Fiscal Agent, the ESC 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, 2023, the carrying amount of all Consortium deposits was \$2,297,015 and the bank balance of all Consortium deposits was \$2,305,616. Of the bank balance, \$250,000 was covered by the FDIC and \$2,055,616 was covered by the Ohio Pooled Collateral System.

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 market 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 market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

B. 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 as reported on the statement of net position as of June 30, 2023:

<u>Cash and investments with Fiscal Agent per note</u>	
Carrying amount of deposits with Fiscal Agent	<u>\$ 2,297,015</u>
<u>Cash and investments with Fiscal Agent per financial statements</u>	
Cash and cash equivalents with Fiscal Agent	<u>\$ 2,297,015</u>

NOTE 4 - RISK MANAGEMENT

The Consortium is a jointly governed organization which acts as a governmental risk pool for medical, hospitalization, dental, prescription drug, vision, life or any other benefits which may be included, from time to time, in a member's plan document, to all covered persons of each member for all claims incurred during membership in the Consortium. The risk of loss for loss transfers from the member school districts to the Consortium upon payment of the monthly premium.

The Consortium employs the services of an outside consultant, Mutual Health Services, to assist them in administering the Consortium. Mutual Health Services administers the following lines of coverage: medical, hospitalization and prescription drug. The Guardian Life Insurance Company administers vision. Core Source administers a fully insured dental plan for the Consortium. Reliance Standard administers a fully insured life plan for the Consortium.

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 claiming by or through employees shall be limited receipt benefits offered by or through the Consortium in accordance with the Consortium Agreement.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - RISK MANAGEMENT - (Continued)

It is not necessary for each member school district to hold a reserve for Incurred But Not Reported (IBNR) claims. The IBNR information is presented by the Consortium as required by 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", and is not available on a District-by-District basis.

The Consortium is self-insured for member school district employee health insurance and prescription claims but maintains stop gap loss insurance with Mutual Health Services for \$175,000 on an individual basis. The Self Insurance Fund pays covered claims to service providers and recovers these costs from premium charges to member school districts based on calculations provided with the Consortium's consultant NFP Corporate Services in conjunction with Mutual Health Services which is the third party administrator.

The claims liability of \$1,810,068 reported at June 30, 2023, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30, 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.

Changes in claims activity for the fiscal year ended June 30, 2023 and 2022 was as follows:

	2023	2022
Claims payable at beginning of fiscal year	\$ 1,940,550	\$ 1,598,621
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	12,581,942	13,741,364
Increase in claims expenses for insured events of the prior years	1,012,749	1,498,241
Total claims expenses	13,594,691	15,239,605
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	12,712,424	13,399,435
Claims expenses paid attributable to insured events of prior years	1,012,749	1,498,241
Total claims payments	13,725,173	14,897,676
Claims payable at end of fiscal year	\$ 1,810,068	\$ 1,940,550

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, 2023, the Consortium reported a \$74,170 receivable for any potential stop loss reimbursements and \$542,377 for rebates. All receivables are expected to be collected within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 7 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2023, the Consortium has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Consortium.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Consortium.

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REQUIRED SUPPLEMENTARY INFORMATION

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**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

TEN-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 for the fiscal years ended June 30, 2014 through 2023 is provided on the next page. The Consortium was formed on January 1, 2013 and began reporting on the accrual basis of accounting in fiscal year 2016. Information provided for fiscal year 2014 and 2015 is on a cash-basis of accounting.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

TEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2014 (1)</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>
1. Premiums and investment income	n/a	\$ 7,588,960	\$ 7,945,720	\$ 8,471,362
2. Unallocated expenses	n/a	1,503,564	1,680,589	2,199,598
3. Estimated losses incurred and expense, end of year	n/a	n/a	5,369,342	6,131,782
4. Paid, cumulative as of:				
End of accident year	n/a	6,251,241	5,611,715	6,436,947
One year later	1,430,160	6,933,849	6,291,696	7,072,373
Two years later	1,430,160	6,933,849	6,291,696	7,072,373
Three years later	1,430,160	6,933,849	6,291,696	7,072,373
Four years later	1,430,160	6,933,849	6,291,696	7,072,373
Five years later	1,430,160	6,933,849	6,291,696	7,072,373
Six years later	1,430,160	6,933,849	6,291,696	7,072,373
Seven years later	1,430,160	6,933,849	6,291,696	-
Eight years later	1,430,160	6,933,849	-	-
Nine years later	1,430,160	-	-	-
5. Re-estimated incurred losses and expense:				
End of accident year	n/a	6,251,241	5,369,342	6,131,782
One year later	1,430,160	6,933,849	6,291,696	7,072,373
Two years later	1,430,160	6,933,849	6,291,696	7,072,373
Three years later	1,430,160	6,933,849	6,291,696	7,072,373
Four years later	1,430,160	6,933,849	6,291,696	7,072,373
Five years later	1,430,160	6,933,849	6,291,696	7,072,373
Six years later	1,430,160	6,933,849	6,291,696	7,072,373
Seven years later	1,430,160	6,933,849	6,291,696	-
Eight years later	1,430,160	6,933,849	-	-
Nine years later	1,430,160	-	-	-
6. Increase in estimated incurred losses and expenses from end of accident year	n/a	682,608	922,354	940,591

(1) Information presented on the cash-basis of accounting.
n/a - information not available .

2018	2019	2020	2021	2022	2023
\$ 9,230,131	\$ 9,562,765	\$ 10,071,274	\$ 15,043,260	\$ 16,349,496	\$ 18,197,544
2,143,498	2,397,568	2,384,803	3,053,418	3,220,445	3,625,139
6,251,576	7,573,330	7,419,069	12,088,771	13,741,364	12,581,942
6,220,034	7,514,595	7,315,969	11,528,014	13,399,435	12,712,424
6,976,826	8,813,103	8,872,554	13,026,255	14,412,184	-
6,976,826	8,815,158	8,872,554	13,026,255	-	-
6,976,826	8,815,158	8,872,554	-	-	-
6,976,826	8,815,158	-	-	-	-
6,976,826	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,251,576	7,573,330	7,419,069	12,088,771	13,741,364	12,581,942
6,976,826	8,813,103	8,975,654	13,587,012	14,754,113	-
6,976,826	8,815,158	8,975,654	13,587,012	-	-
6,976,826	8,815,158	8,975,654	-	-	-
6,976,826	8,815,158	-	-	-	-
6,976,826	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
725,250	1,241,828	1,556,585	1,498,241	1,012,749	-

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INDEPENDENT AUDITOR'S 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

North Central Ohio Trust Regional Council of Governments
Joint Self-Insurance Health Program
Seneca County
928 W Market Street
Tiffin, Ohio 44883

To the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio (the Consortium), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated November 22, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

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 Consortium's financial statements will not be prevented, or detected and corrected on a timely basis. 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 our 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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consortium's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 22, 2023

North Central Ohio Trust Regional Council of Governments
Joint Self-Insurance Health Program
Seneca County, Ohio

Schedule of Prior Audit Findings – Prepared by Management
June 30, 2023

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2022-001	Noncompliance with Ohio Rev. Code §9.833	Corrected	Management passed a resolution to increase premium rates by 20%.

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OHIO AUDITOR OF STATE KEITH FABER



NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS JOINT SELF- INSURANCE HEALTH PROGRAM

SENECA 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 2/8/2024

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