

# **Greater Cincinnati Insurance Consortium**



## **Basic Financial Statements**

**For the Year Ended  
June 30, 2016**





# Dave Yost • Auditor of State

Board of Directors  
Greater Cincinnati Insurance Consortium  
11083 Hamilton Ave  
Cincinnati, OH 45231

We have reviewed the *Independent Auditor Report* of the Greater Cincinnati Insurance Consortium, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 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

November 15, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Greater Cincinnati Insurance Consortium

### Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements, and related notes of Greater Cincinnati Insurance Consortium, (the Consortium) as of and for the year ended June 30, 2016.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 of the financial statements, the Consortium prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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.

Though the Consortium does not intend the financial statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the Opinion on Regulatory Basis of Accounting paragraph below.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

#### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the cash balances of the Consortium, as of June 30, 2016, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, 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 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  
September 23, 2016

**Greater Cincinnati Insurance Consortium**  
**Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances - Regulatory Basis**  
**For the Year Ended June 30, 2016**

	<u>2016</u>
<b>Operating Cash Receipts:</b>	
Contributions from member districts	\$ 36,387,535
COBRA receipts	<u>79,387</u>
 Total operating cash receipts	 <u>36,466,922</u>
 <b>Operating Cash Disbursements:</b>	
Claim settlements	33,184,122
Third party administrator fee	2,653,161
Insurance premiums	369,349
Administration expenses	84,663
COBRA administration	22,505
Health care reform fees	224,810
Miscellaneous	<u>22,689</u>
 Total operating cash disbursements	 <u>36,561,299</u>
 <b>Operating cash receipts over (under) operating cash disbursements</b>	 <b>(94,377)</b>
 <b>Non-Operating Cash Receipts:</b>	
Interest earnings	<u>288,793</u>
 Receipts over (under) disbursements	 194,416
 <b>Cash Balances:</b>	
Beginning of year	<u>18,482,599</u>
 End of year	 <u>\$ 18,677,015</u>

See accompanying notes to the financial statements.

**Greater Cincinnati Insurance Consortium**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 1 - Summary of Significant Accounting Policies**

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**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, 2016, 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.

**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.

**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 year 2016, the Consortium's investments were limited to U.S. Agency securities, negotiable CD's and money market accounts.



**Greater Cincinnati Insurance Consortium**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 2 – Cash and Investments**

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

	<u>2016</u>
Demand deposits	\$ 5,438,914
U.S. agency securities	3,043,499
Negotiable CDs	9,561,602
Money market accounts	<u>633,000</u>
Total Investments	<u>13,238,101</u>
Total Deposits and Investments	<u>\$ 18,677,015</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, negotiable CD's, 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.

**Note 3 – Risk Management**

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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.

**Note 4 – Loss Reserve**

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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, 2016 was \$ 18,677,015.

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 year ended June 30, 2016 was \$3,583,600.

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

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# **Greater Cincinnati Insurance Consortium**



## **Yellow Book Report**

**For the Year Ended  
June 30, 2016**

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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***

To the Board of Directors  
Greater Cincinnati Insurance Consortium

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 Greater Cincinnati Insurance Consortium (the Consortium), as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated September 23, 2016, wherein we noted the Consortium prepared its financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America.

**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 opinions 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 entity'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

September 23, 2016



# 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  
NOVEMBER 29, 2016**