

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

***FINANCIAL STATEMENT
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

JOHN WHEADON, FISCAL AGENT



Dave Yost • Auditor of State

Board of Directors
Summit Regional Healthcare Consortium
3797 Ridgewood Road
Copley, Ohio 44321

We have reviewed the *Independent Auditor's Report* of the Summit Regional Healthcare Consortium, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 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 Summit Regional Healthcare 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 29, 2016

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of Summit Regional Healthcare Consortium, Summit County, as of and for the fiscal year ended June 30, 2016.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on the financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Summit Regional Healthcare Consortium's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of Summit Regional Healthcare Consortium's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 2 of the financial statement, Summit Regional Healthcare Consortium prepared the financial statement 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though Summit Regional Healthcare Consortium does not intend the statement 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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Summit Regional Healthcare Consortium as of June 30, 2016, or changes in financial position or cash flows thereof for the fiscal year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balance of Summit Regional Healthcare Consortium, Summit County as of June 30, 2016, and its cash receipts and disbursements for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, on our consideration of Summit Regional Healthcare Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Regional Healthcare Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.
September 8, 2016

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS	
Member Contributions	\$ 29,762,820
OPERATING CASH DISBURSEMENTS	
Claims Paid	26,313,776
Administrative Fees	1,131,668
Stop-Loss Insurance Premiums	1,711,256
Miscellaneous	34,156
Total Operating Cash Disbursements	29,190,856
Excess of operating cash receipts over/(under) operating disbursements	571,964
NON-OPERATING CASH RECEIPTS	
Investment Receipts	28,994
Change in Cash Fund Balance	600,958
CASH FUND BALANCE AT BEGINNING OF YEAR	7,473,790
CASH FUND BALANCE AT END OF YEAR	\$ 8,074,748

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE ENTITY

A. General

The Summit Regional Healthcare Consortium (the "Consortium") was established during 2007, formed by the Boards of Education of three school districts in Northeast Ohio, for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. On July 1, 2007, the Consortium was formed and operates as a legally separate entity as provided under Ohio Revised Code Chapter 167. Each participating member signed an agreement. The Consortium became operational on July 1, 2010. As of June 30, 2016, the current six members are Barberton City School District, Copley-Fairlawn City School District, Cuyahoga Falls City School District, Norton City School District, Revere Local School District and Wadsworth City School District.

B. Board of Directors

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

C. Fiscal Agent

The Fiscal Agent of the Consortium shall be from the Board of Education of a participating member approved by the Board of Directors and is responsible for administering the financial transactions of the Consortium. The Fiscal Agent carries out the responsibilities of the Consortium, enters into contracts on behalf of the Consortium as authorized by the Board of Directors and carries out such other responsibilities as approved by the Board of Directors and agreed to by the Fiscal Agent. The Copley-Fairlawn City School District, Copley, Ohio, provides fiscal agent and treasury services. In consideration for its services, the Fiscal Agent may receive a fee from the Consortium in such amount as the Board of Directors shall approve. For the fiscal year ended June 30, 2016, the Fiscal Agent served for a fee of \$3,000 per member district.

D. Benefits

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

E. Enrollment by Members

Each Member decides which benefit program(s) offered by or through the Consortium shall be extended to its employees.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

F. Operating Fund

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

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

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

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

G. Termination/Withdrawal of a Consortium Member

It is the express intention of the Consortium Members that the Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium shall notify the Fiscal Agent at least 180 days prior to renewal of any benefits normally, July 1st. Specifics governing the withdrawal of a Consortium Member and the run out of all claims for such Consortium Member are addressed in Section 9 of the Agreement.

H. Contributions

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

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statement of the Consortium is not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Consortium. For the Consortium, this consists of a single enterprise fund.

Component units are legally separate organizations for which the Consortium is financially accountable. The Consortium is financially accountable for an organization if the organization appoints a voting majority of the organization's governing board and (1) the Consortium is able to significantly influence the programs or services performed or provided by the organization; or (2) the Consortium is legally entitled to or can otherwise access the organization's resources. The Consortium is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Consortium is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Consortium in that the Consortium approves the budget, the issuance of debt or the levying of taxes. The Consortium has no component units.

B. Basis of Accounting

The Consortium's financial statement follows 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 earned, and disbursements are recognized when paid rather than when a liability is incurred.

The Consortium's statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Consortium maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium maintains an enterprise fund to account for its expendable financial resources and related current expenses.

D. Budgetary Process

The Consortium is not required to follow the budgetary process and has decided not to adopt a formal budget annually as part of their amended agreement and bylaws.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function level of control. Independent insurance consultants annually recommend appropriation measures and they are approved by the Consortium annually along with any subsequent amendments.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of July 1st.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Encumbrances

The Consortium does not reserve encumbrances.

E. Cash and Investments

Investments are reported as assets and are carried at cost, which approximates fair value. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses are recorded as receipts or disbursements when a sale occurs.

F. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Consortium's Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Consortium into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Consortium treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Assembly has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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;
5. 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;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Consortium's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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. 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.

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all Consortium deposits was a deficit of \$(634,984). There was no actual overdraft due to the "zero-balance" nature of the Consortium's accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, demand deposits were covered by the Federal Deposit Insurance Corporation.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Consortium's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Consortium. The Consortium has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

B. Investments

As of June 30, 2016, the Consortium had the following investments and maturities:

Investment type	Cost Basis	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Repurchase agreement	\$ 6,160,000	\$ 6,160,000	\$ -	\$ -	\$ -	\$ -
First American Treasury Obligation	1,060	1,060	-	-	-	-
Commercial Paper	651,127	398,102	253,025	-	-	-
Federal Home Loan Bank	249,860	-	249,860	-	-	-
Negotiable CDs	914,009	-	-	174,738	-	739,271
Federal National Mortgage Association	608,686	-	-	-	218,686	390,000
Federal Home Loan Mortgage Corporation	124,990	-	-	-	-	124,990
Total	<u>\$ 8,709,732</u>	<u>\$ 6,559,162</u>	<u>\$ 502,885</u>	<u>\$ 174,738</u>	<u>\$ 218,686</u>	<u>\$ 1,254,261</u>

The weighted average maturity of investments is 0.67 years.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal government agency securities, U.S. Treasury notes and repurchase agreement are held by the counterparty's trust department or agent but not in the Consortium's name and therefore are exposed to custodial credit risk. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Consortium has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk: The Consortium's federal government agency securities, and the federal government agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Consortium's investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at June 30, 2016:

<u>Investment types</u>	<u>Cost</u>	<u>% of Total</u>
Repurchase agreement	\$ 6,160,000	70.72
Negotiable CDs	914,009	10.49
Commercial Paper	651,127	7.48
Federal National Mortgage Association	608,686	6.99
Federal Home Loan Bank	249,860	2.87
Federal Home Loan Mortgage Corporation	124,990	1.44
First American Treasury Obligation	<u>1,060</u>	<u>0.01</u>
 Total	 <u>\$ 8,709,732</u>	 <u>100.00</u>

NOTE 4 - RISK MANAGEMENT

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

The Consortium entered into a contract, effective February 24, 2012, with a consultant, Arthur J. Gallagher Risk Management Services, Inc. to assist the Consortium in administering its insurance program. Under the terms of the contract, it may be terminated upon 30 days prior written notice. Also, the contract provides for a monthly fee of \$4 per participant, effective July 1, 2012, which is invoiced to each member and remitted to the consultant.

The Consortium contracted with a third-party administrator, Anthem Blue Cross/Blue Shield, for the year ended June 30, 2016, to process and pay health benefit claims incurred by its members. Payments are made by members to the Consortium for monthly health insurance premiums, COBRA administration, monthly stop-loss premiums and administrative charges. The Fiscal Officer approves monthly payments to the third-party administrator for actual insurance claims processed, stop-loss premiums, COBRA administration and administrative charges incurred on behalf of the Consortium members.

No employer, employee, or person claiming benefit by or through an employee shall have any claim against the Consortium or any property of the Consortium. The rights and interest of employees and persons claimed by or through employees shall be limited to benefits offered by or through the Consortium in accordance with the Agreement. The Consortium purchases or otherwise provides for the benefit of itself, the Board of Directors and/or the Fiscal Agent such liability insurance with such limits of coverage deemed necessary and as approved by the Board of Directors. A third-party insured the Consortium for specific stop-loss claims in excess of \$100,000 per covered person for the year ended June 30, 2016. The annual maximum specific stop-loss claims per covered person for 2016 were \$5,000,000. A third-party also insured the Consortium for annual aggregate stop-loss claims in excess of \$33,492,893.

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

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - RISK MANAGEMENT - (Continued)

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

The Consortium is self-insured for member district employee health insurance claims, but maintains aggregate stop-loss insurance with Anthem Blue Cross/Blue Shield of Ohio. The Self-Insurance Fund pays covered claims to service providers and recovers these costs from premium charges to member districts based on calculations provided by the Consortium's consultant (Healthcare Analytics, a Division of Gallagher Benefit Services, Inc.). The June 30, 2016 loss reserves estimated by the Consortium's actuary are as follows:

Cash and Investments	\$ 8,074,748
IBNR actuarial liability	<u>(2,567,114)</u>
Excess funds	<u>\$ 5,507,634</u>

NOTE 5 - WELLNESS PROGRAM

The Consortium approved a one-year Wellness Plan (the "Plan") effective July 1, 2015. This Plan was established in connection with an agreement with the Consortium's third-party administrator who agreed to reimburse the Consortium up to \$120,000 for the year ending June 30, 2016. Under the Plan, the Consortium entered into a one-year contract, effective August 1, 2012 and renewing annually, with a wellness program consultant (Be Well Solutions) with an annual fee of \$42,300. In addition, fees for each participant are charged for other services provided, such as screening, health fairs and flu shots.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of Summit Regional Healthcare Consortium, Summit County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated September 8, 2016, wherein we noted the Summit Regional Healthcare Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Summit Regional Healthcare Consortium's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of Summit Regional Healthcare Consortium's internal control. Accordingly, we have not opined on it.

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

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

Board of Directors
Summit Regional Healthcare Consortium

Compliance and Other Matters

As part of reasonably assuring whether Summit Regional Healthcare Consortium's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of Summit Regional Healthcare Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Summit Regional Healthcare Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
September 8, 2016

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Dave Yost • Auditor of State

SUMMIT REGIONAL HEALTH CARE CONSORTIUM (SRHCC)

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2016**