



Dave Yost • Auditor of State

**SOUTHWEST OHIO ORGANIZATION OF SCHOOL HEALTH
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwest Ohio Organization of School Health
Hamilton County
11083 Hamilton Avenue
Cincinnati, Ohio 45231

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Southwest Ohio Organization of School Health, Hamilton County, Ohio (the Consortium), as of and for the period January 1, 2015 to June 30, 2016, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 opine on these financial statements 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 statements are 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 the Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Southwest Ohio Organization of School Health, Hamilton County, Ohio, as of the period January 1, 2015 to June 30, 2016, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

We draw attention to Note 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2017, 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. 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 the Consortium's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 7, 2017

**Southwest Ohio Organization of School Health
Statement of Net Position - Cash Basis
June 30, 2016**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$ 21,500,260</u>
Total Assets	<u>21,500,260</u>
Net Position:	
Unrestricted	<u>21,500,260</u>
Total Net Position	<u>\$ 21,500,260</u>

See accompanying notes to the basic financial statements.

Southwest Ohio Organization of School Health
Statement of Cash Receipts, Cash Disbursements and Changes in Net Position - Cash Basis
For the Year Ended June 30, 2016

	<u>2016</u>
Operating Cash Receipts:	
Contributions from member districts	<u>\$ 53,626,263</u>
Total operating cash receipts	<u>53,626,263</u>
Operating Cash Disbursements:	
Claim settlements	45,999,742
Professional/Legal Services	10,337
Miscellaneous	<u>586,063</u>
Total operating cash disbursements	<u>46,596,142</u>
Operating cash receipts over (under) operating cash disbursements	7,030,121
Non-Operating Cash Receipts:	
Interest earnings	<u>85,016</u>
Receipts over (under) disbursements	7,115,137
Net Position:	
Beginning of year	<u>14,385,123</u>
End of year	<u>\$ 21,500,260</u>

See accompanying notes to the basic financial statements.

**Southwest Ohio Organization of School Health
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 1 - Summary of Significant Accounting Policies

Description of the Consortium

The Southwest Ohio Organization of School Health (the Consortium), organized under Ohio Revised Code Chapter 167, was established on January 1, 2015, 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 Southwest Ohio Organization of School Health 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 member employees and the eligible dependents and designated beneficiaries of member employees. The governing board consists of the superintendent or other designees appointed by each of the members of the Consortium. As of June 30, 2016, there were 7 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 was fully insured from its inception date on January 1, 2015 through December 31, 2015. The Consortium became self insured on January 1, 2016, and claims are administered by a third party administrator. The Consortium's third party administrator for the medical insurance plan is Anthem. Claims are made to the third party administrator by covered individuals. The third party administrator processes the claims, approve or deny, and make payments to medical and dental providers. The third party administrator submits a list of claims paid to the Consortium, who in turn submits payments to the third party administrator.

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 three 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 are prepared using the cash basis of accounting, which is not in compliance with the Ohio Administrative Code 117-2-03(B). OAC 117-2-03(B) requires annual financial reports be prepared using generally accepted accounting principles. Receipts are recorded in the Consortium's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Southwest Ohio Organization of School Health
Notes to the Financial Statements
For the Year Ended June 30, 2016

Basis of Presentation

The basic financial statements consist of a statement of net position and a statement of cash receipts, cash disbursements and changes in net position. The Consortium reports using a single enterprise presentation for its financial statements. Enterprise reporting focuses on the determination of operating income, changes in net position and financial position.

Cash and Investments

The Consortium's cash is held and invested by the Service Center, who acts as custodian for Consortium monies. The Service Center maintains the Consortium Fund as an agency fund of the Service Center. During fiscal year 2016, the Consortium's investments were limited to U.S. Agency securities, negotiable CD's, and money market accounts.

Note 2 – Cash and Investments

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	<u>\$ 8,209,195</u>
U.S. agency securities	6,577,733
Negotiable CD's	4,739,926
Money market accounts	<u>1,973,406</u>
Total Investments	<u>13,291,065</u>
Total Deposits and Investments	<u><u>\$ 21,500,260</u></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

The Consortium was fully commercially insured from its inception date on January 1, 2015 through December 31, 2015. The Consortium became self insured for medical and prescription drug insurance on January 1, 2016. Membership rates are charged based on claims approved by the third party administrators (Anthem). 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

**Southwest Ohio Organization of School Health
Notes to the Financial Statements
For the Year Ended June 30, 2016**

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

Since the medical 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 \$21,500,260.

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 \$4,256,400.

The medical and prescription drug programs meet the loss reserve.

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**Southwest Ohio Organization for School Health
Statement of Net Position - Cash Basis
June 30, 2015**

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 14,385,123</u>
Total Assets	<u>14,385,123</u>
Net Position:	
Unrestricted	<u>14,385,123</u>
Total Net Position	<u>\$ 14,385,123</u>

See accompanying notes to the basic financial statements.

**Southwest Ohio Organization for School Health
Statement of Cash Receipts, Cash Disbursements and Changes in Net Position - Cash Basis
For the Period January 1, 2015 to June 30, 2015**

Operating Cash Receipts:

Contributions from member districts	\$ 29,601,148
Miscellaneous	<u>19,309</u>

Total operating cash receipts	<u>29,620,457</u>
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Operating Cash Disbursements:

Claim settlements	15,510,254
Professional/Legal Services	18,312
Bank Fees	104
Miscellaneous	<u>285,127</u>

Total operating cash disbursements	<u>15,813,797</u>
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Operating cash receipts over (under) operating cash disbursements	13,806,660
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Non-Operating Cash Receipts:

Interest earnings	<u>1,399</u>
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Receipts over (under) disbursements	13,808,059
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Net Position:

Beginning of year	<u>577,064</u>
End of year	<u>\$ 14,385,123</u>

See accompanying notes to the basic financial statements.

**Southwest Ohio Organization of School Health
Notes to the Financial Statements
For the Period January 1, 2015 to June 30, 2015**

Note 1 - Summary of Significant Accounting Policies

Description of the Consortium

The Southwest Ohio Organization of School Health (the Consortium), organized under Ohio Revised Code Chapter 167, was established on January 1, 2015, 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 Southwest Ohio Organization of School Health 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 member employees and the eligible dependents and designated beneficiaries of member employees. The governing board consists of the superintendent or other designees appointed by each of the members of the Consortium. As of June 30, 2015, there were 7 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 fully insured and claims are administered by a third party administrator. The Consortium's third party administrator for the medical insurance plan is Anthem. Claims are made to the third party administrator by covered individuals. The third party administrator processes the claims, approve or deny, and make payments to medical and dental providers. The third party administrator submits a list of claims paid to the Consortium, who in turn submits payments to the third party administrator.

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 three 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 are prepared using the cash basis of accounting, which is not in compliance with the Ohio Administrative Code 117-2-03(B). OAC 117-2-03(B) requires annual financial reports be prepared using generally accepted accounting principles. Receipts are recorded in the Consortium's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Southwest Ohio Organization of School Health
Notes to the Financial Statements
For the Period January 1, 2015 to June 30, 2015

Basis of Presentation

The basic financial statements consist of a statement of net position and a statement of cash receipts, cash disbursements and changes in net position. The Consortium reports using a single enterprise presentation for its financial statements. Enterprise reporting focuses on the determination of operating income, changes in net position and financial position.

Cash and Investments

The Consortium's cash is held and invested by the Service Center, who acts as custodian for Consortium monies. The Service Center maintains the Consortium Fund as an agency fund of the Service Center. During fiscal year 2015, the Consortium's investments were limited to U.S. Agency securities, negotiable CD's, and money market accounts.

Note 2 – Cash and Investments

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the deposits and investments as of June 30, 2015 was as follows:

	<u>2015</u>
Demand deposits	<u>\$ 11,383,724</u>
U.S. agency securities	2,281,767
Negotiable CD's	715,671
Money market accounts	3,961
Total Investments	<u>3,001,399</u>
Total Deposits and Investments	<u>\$ 14,385,123</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

The Consortium is fully insured for medical and prescription drug insurance. Membership rates are charged based on claims approved by the third party administrators (Anthem). 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.

Southwest Ohio Organization of School Health
Notes to the Financial Statements
For the Period January 1, 2015 to June 30, 2015

Note 4 – Beginning Balance in Net Position

The Consortium had a beginning balance in net position as of January 1, 2015 which was derived from required member contributions prior to the date on which the Consortium became active.

Note 5 – Subsequent Events

The Consortium became self-insured effective January 1, 2016.

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

Southwest Ohio Organization of School Health
Hamilton County
11083 Hamilton Avenue
Cincinnati, Ohio 45231

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 cash basis financial statements of the Southwest Ohio Organization of School Health, Hamilton County, Ohio (the Consortium), as of and for the period January 1, 2015 to June 30, 2016, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements and have issued our report thereon dated April 7, 2017, wherein we noted the Consortium uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Consortium's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all 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.

Compliance and Other Matters

As part of reasonably assuring whether the Consortium's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 7, 2017



Dave Yost • Auditor of State

**SOUTHWEST OHIO ORGANIZATION OF SCHOOL HEALTH
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
MAY 4, 2017**