

**COUNCIL OF ALLEN COUNTY
SCHOOLS HEALTH BENEFITS CONSORTIUM**

ALLEN COUNTY

REGULAR AUDIT

**FOR THE YEAR ENDED
JUNE 30, 2023**

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Council of Allen County Schools Health Benefits Consortium
1920 Slabtown Road
Lima, Ohio 45801

We have reviewed the *Independent Auditor's Report* of Council of Allen County Schools Health Benefits Consortium, Allen County, prepared by Plattenburg & 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. Council of Allen County Schools Health Benefits Consortium 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

December 19, 2023

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**COUNCIL OF ALLEN COUNTY SCHOOLS HEALTH BENEFITS CONSORTIUM
ALLEN COUNTY
FOR THE YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Council of Allen County Schools Health Benefits Consortium

Report on the Audit of the Financial Statements

Opinion

We have audited the modified cash basis financial statements of the Council of Allen County Schools Health Benefits Consortium (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 respective modified cash basis financial position of the Consortium, as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

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. 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.

Emphasis of Matter – Accounting Basis

Ohio Administrative Code 117-2-03(B) requires the Consortium to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Other Information

We applied no procedures to management's discussion & analysis. Accordingly, we express no opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 3, 2023

Council of Allen County Schools Health Benefits Consortium
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

The following report reflects on the financial condition of the Council of Allen County Schools Health Benefits Consortium (the "Consortium") for the fiscal year ended June 30, 2023. Within the limitations of the Consortium's modified cash basis of accounting, this information is provided to enhance the information in the financial statements and the corresponding notes and should be reviewed in concert with the report.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- The change in net position from 2022 was a decrease of \$1,022,711.

Using these Annual Reports

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Consortium's modified cash basis of accounting. This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Consortium's activities. The *Statement of Net Position – Modified Cash Basis* and the *Statement of Cash Receipts, Disbursements, and Changes in Net Position – Modified Cash Basis* provide information about the activities of the Consortium.

Reporting the Consortium's Financial Activities

Statement of Net Position – Modified Cash Basis and Statement of Cash Receipts, Disbursements, and Changes in Net Position – Modified Cash Basis

These statements look at all financial transactions and ask the question, "How did we do financially during fiscal year 2023?" The *Statement of Net Position – Modified Cash Basis* and the *Statement of Cash Receipts, Disbursements, and Changes in Net Position – Modified Cash Basis* answer these questions.

These statements include only net position using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the cash actually received or paid within the current year. These two statements report the Consortium's net position and changes in that position on a modified cash basis. This change in net cash position is important because it tells the reader that, for the Consortium as a whole, the modified cash basis financial position of the Consortium has improved or diminished.

As a result of the use of the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and liabilities and their related disbursements (such as claims payable) are not recorded in these modified cash basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Council of Allen County Schools Health Benefits Consortium
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

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

(Table 1)
Financial Analysis
Net Position – Modified Cash Basis

| | <u>2023</u> | <u>2022</u> | <u>Change</u> |
|---------------------------|----------------------|----------------------|-----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 8,666,999 | \$ 10,046,710 | \$ (1,379,711) |
| Investments | 6,364,000 | 6,007,000 | 357,000 |
| <i>Total Assets</i> | <u>15,030,999</u> | <u>16,053,710</u> | <u>(1,022,711)</u> |
| Net Cash Position | | | |
| Unrestricted | <u>\$ 15,030,999</u> | <u>\$ 16,053,710</u> | <u>\$ (1,022,711)</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the Consortium's net position totaled \$15,030,999.

The table below shows the changes in net position for the years ending June 30, 2023 as compared to June 30, 2022. This will enable the reader to draw further conclusions about the Consortium's financial status and possibly project future trends.

(Table 2)
Change in Net Cash Position – Modified Cash Basis

| | <u>2023</u> | <u>2022</u> | <u>Change</u> |
|--------------------------------|-----------------------|---------------------|-----------------------|
| Total Operating Receipts | \$ 26,148,643 | \$ 25,072,037 | \$ 1,076,606 |
| Total Operating Disbursements | <u>27,645,602</u> | <u>24,112,458</u> | <u>3,533,144</u> |
| <i>Operating Income (Loss)</i> | (1,496,959) | 959,579 | (2,456,538) |
| Total Non-Operating Receipts | <u>474,248</u> | <u>98,907</u> | <u>375,341</u> |
| Change in Net Position | <u>\$ (1,022,711)</u> | <u>\$ 1,058,486</u> | <u>\$ (2,081,197)</u> |

From fiscal year 2022 to 2023 net position decreased \$1,022,711. Claims increased due to large claims, receipts increased due to an increase in contributions from members and timing. See Note 6.

Council of Allen County Schools Health Benefits Consortium
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Current Financial Related Activities

The Consortium is a not-for-profit insurance group owned and operated by twelve school districts in Allen County, Ohio. The Consortium's main source of receipts is premiums paid by the member school districts.

The Consortium is committed to providing its member districts with the advantages of a larger buying cooperative, while maintaining control at the local district leadership. Providing coverage for the twelve participating schools is a priority for the Consortium and it is committed to managing the pool to protect the long-term financial interests of its members.

The Consortium requires its members to participate in the medical/prescription insurance program with individual district choice as to participation in the dental, vision, life insurance and supplemental insurance programs. The Board of Directors and its plan manager, Gallagher Benefit Services, Inc., continually discuss program enhancements, long-term viability and management risks inherent in these benefit programs.

Like all employer-sponsored health insurance programs, the Consortium's most significant challenge is the current trend of double-digit increases in health care costs. As costs escalate, the Board is faced with the challenge of balancing the financial constraints facing Ohio's public-school districts with offering a quality benefit program for its member's employees. This is further complicated by the fact that each school district in the Consortium must collectively bargain benefit levels with the respective employee unions. Even with these challenges, a collective approach to managing health care within the Consortium provides many advantages over individual management by school districts.

Contacting the Consortium's Financial Management

This financial report is designed to provide our member districts and citizens 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 Mr. Craig Kupferberg, Superintendent, Allen County ESC and Chairman of the Council of Allen County Schools Health Benefits Consortium, 1920 Slabtown Road, Lima, Ohio 45801-3309.

Council of Allen County Schools Health Benefits Consortium
Allen County, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2023

| | |
|---------------------------|-----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 8,666,999 |
| Investments | <u>6,364,000</u> |
| <i>Total Assets</i> | <u>15,030,999</u> |
| Net Position | |
| Unrestricted | <u>15,030,999</u> |
| <i>Total Net Position</i> | <u><u>\$ 15,030,999</u></u> |

See accompanying notes to the basic financial statements.

Council of Allen County Schools Health Benefits Consortium
Allen County, Ohio
Statement of Cash Receipts, Disbursements, and Change in Net Position -
Modified Cash Basis
For the Fiscal Year Ended June 30, 2023

| | |
|---------------------------------------|-----------------------------|
| Operating Receipts | |
| Contributions from Members | \$ 25,949,144 |
| Other Operating Receipts | <u>199,499</u> |
| <i>Total Operating Receipts</i> | <u>26,148,643</u> |
| Operating Disbursements | |
| Professional Fees | 156,741 |
| Administrative Fees | 1,442,447 |
| Insurance Premium for Coverages | 1,717,102 |
| Claims | 24,319,714 |
| Other Operating Disbursements | <u>9,598</u> |
| <i>Total Operating Disbursements</i> | <u>27,645,602</u> |
| <i>Operating Income (Loss)</i> | <u>(1,496,959)</u> |
| Non-Operating Receipts | |
| Interest | <u>474,248</u> |
| <i>Total Non-Operating Receipts</i> | <u>474,248</u> |
| <i>Change in Net Position</i> | (1,022,711) |
| <i>Net Position Beginning of Year</i> | <u>16,053,710</u> |
| <i>Net Position End of Year</i> | <u><u>\$ 15,030,999</u></u> |

See accompanying notes to the basic financial statements.

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The Council of Allen County Schools Health Benefits Consortium, Allen County, (the “Consortium”) is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 and amended by GASB Statement No. 30 created to enable its twelve members (political subdivisions) to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, this pool provides health and dental benefits, to employees of its members. In addition to the health benefits provided to participants, the Consortium offers life insurance benefits and a cafeteria 125 flexible plan to all eligible employees as an option.

The governing body of the Consortium is the Board of Directors composed of the representatives of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of June 30, 2023, there were 12 participating member school districts of the Consortium, 11 of which are on the governing body, providing services to approximately 1,500 employees. The Board of Directors and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) shall function as the advisory body to the Consortium. The fiscal agent is Allen County Educational Service Center. It shall consist of one superintendent representative from the 11 member districts per the By-Laws. West Central Learning Academy is the twelfth participating member but does not have voting rights.

The Consortium’s management believes these modified cash basis financial statements present all activities for which the Consortium is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) Pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In cases where these modified cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Basis of Accounting

The Consortium’s financial statements are prepared using the modified cash basis of accounting. 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 modified 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.

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 and 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.

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Operating receipts are those receipts that are generated directly from the primary activity of the Consortium. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Consortium. All receipts and disbursements not meeting this definition are reported as non-operating.

B. Basis of Presentation

For the fiscal year ended June 30, 2023, the Consortium has elected to present the financial statements in the GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* format.

The Consortium’s financial statements consist of a statement of net position - modified cash basis and statement of cash receipts, disbursements and changes in net position – modified cash basis. The Statement of Net Position presents the financial condition of the Consortium at fiscal year-end. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in a preceding paragraph.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Investments are valued at cost, except for money market funds and STAR Ohio, which are net asset value.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Consortium measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

D. Budgetary Process

The Consortium is not required to follow the budgetary process by law, but incorporated in the bylaws that a budget should be prepared along with the other budgets prepared by the Allen County Educational Service Center.

E. Net Position

Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Consortium had no restricted net position at fiscal year-end.

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

F. Subscription-Based Information Technology Arrangements (SBITA)

For fiscal year 2023, GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA) was effective. This GASB pronouncement had no effect on beginning net position.

The Consortium is party to various SBITAs; however, liabilities are not reflected under the Consortium's modified cash basis of accounting. SBITA disbursements are recognized when they are paid.

G. Long-Term Obligations

The Consortium's modified cash basis financial statements do not report liabilities for bonds, leases, SBITA's and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a leased asset when entering into a lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease and SBITA payments are reported when paid.

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 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 Consortium 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.

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, 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.

The Consortium primarily funds to meet the basic monetary demands of its claims and administration payments and has not had any Inactive or Interim deposits to invest. Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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 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;
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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed 40 percent of the interim moneys available for investment at any one time, if training requirements have been met;
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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 securities representing the investments to the treasurer, or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At year-end, \$1,773,867 of the Consortium's bank balance of \$2,023,867 was exposed to custodial credit risk.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the Consortium will not be able to recover deposits or collateral securities that are in possession of an outside party.

The Consortium has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- 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

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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

Investments

As of June 30, 2023, the Consortium’s investments were as follows:

| Rating | Investment | Measurement Amount | Maturities (in years) | | Percentage of Total |
|--------|------------------------------------|-----------------------|-----------------------|---------------------|------------------------|
| | | | <1 yr | 1-3 yrs | |
| | Net Asset Value: | | | | |
| AAAm | STAROhio | \$ 6,916,295 | \$ 6,916,295 | \$ - | 51.85% |
| AAAm | Money Market Mutual Funds | 56,739 | 56,739 | - | 0.43% |
| | Cost: | | | | |
| N/A | Negotiable Certificates of Deposit | 6,364,000 | 2,382,000 | 3,982,000 | 47.72% |
| | Total | <u>\$ 13,337,034</u> | <u>\$ 9,355,034</u> | <u>\$ 3,982,000</u> | <u>100.00%</u> |

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Consortium’s investment policy addresses interest rate risk by requiring that the Consortium’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2023, is 39 days.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Consortium’s investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

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 Consortium has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Concentration Risk

The Consortium places no limit on the amount the Consortium may be invest in any one issuer. The above table includes the percentage to total of each investment type held by the Consortium at June 30, 2023.

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 4 – RISK MANAGEMENT

A. Medical, Prescription Drug, and Dental Benefits

The Consortium contracts with a third party administrator to process and pay health claims, prescription drug and dental claims incurred by its members. Members pay monthly premiums to the Consortium, which are placed in a local bank account. The third party administrator emails weekly invoices to the fiscal officer who then wires the money to pay the claims.

B. Stop-Loss Coverage

The Consortium employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claim s. This allows the Consortium to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

C. Actuarial Valuation

An actuarial valuation of the health care plan is prepared annually under guidelines set forth in Actuarial Standard of Practice No. 5, *Incurred Health Claims Liabilities* (ASOP 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to compare this liability to funds reserved. The method and assumptions utilized for measuring an actuarial liability are critical to the determination as to whether funds are adequate.

A comparison of the Consortium’s cash and investments to the actuarially-measured liability as of June 30 follows:

| | <u>June 30, 2023</u> |
|-----------------------|----------------------|
| Cash and Investments | \$ 15,030,999 |
| Actuarial Liabilities | 2,925,000 |

NOTE 5 – CONTRACTED SERVICES

The Consortium contracts with Arthur J. Gallagher & Co. to provide health plan administrative services and advice for insurance plans that include medical, dental and prescription drugs. Contracts also exist with Medical Mutual of Ohio, Eyemed for vision administration and Dearborn for life insurance administration. Contracts also exist with Allen County Educational Service Center, Sapphire-Digital, Compsych, PlanSource and Teladoc to provide wellness coordination, online capabilities, dependent audits and 24/7 access to a doctor.

NOTE 6 – RESERVE FOR CLAIMS LOSSES

The Consortium, under its terms of membership, shall establish adequate reserves for claims and unallocated loss adjustment expenses. In 2023 the Loss Reserve increased \$934,000 to \$2,925,000. The estimated expenses that have been incurred but not recorded represent 10.7 percent of the incurred claims for fiscal year 2023. Total disbursements for the fiscal year ended June 30, 2023 were approximately \$27.6 million.

The Consortium also has a 10 percent safe harbor reserve in excess of current liabilities established to neutralize the impact of claim level fluctuations not covered by insurance. The safe harbor reserve for fiscal years ended June 30, 2023 and June 30, 2022 are \$292,000 and \$198,000, respectively.

The total reserve for claim loss for fiscal years ended June 30, 2023 and June 30, 2022, including the loss reserve and fluctuation reserve is \$3,214,000 and \$2,189,000, respectively.

Council of Allen County Schools Health Benefits Consortium

Allen County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Changes in the Consortium's reserve for claims losses amount for the two previous fiscal years are as follows:

| Fiscal Year | Beginning Balance | Claims | Payments | Ending Balance |
|------------------------|------------------------------|---------------|-----------------|---------------------------|
| 2022 | \$ 1,734,000 | \$ 21,083,128 | \$ 20,826,128 | \$ 1,991,000 |
| 2023 | 1,991,000 | 25,253,714 | 24,319,714 | 2,925,000 |

NOTE 7 – ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the Consortium to prepare its annual financial reports in accordance with generally accepted accounting principles (GAAP). However, the Consortium prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances and disclosures that, while material, cannot be determined at this time. The Consortium may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

To the Board of Directors
Council of Allen County Schools Health Benefits 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 modified cash basis financial statements of the Council of Allen County Schools Health Benefits Consortium (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 3, 2023, wherein we noted the Consortium uses the modified cash basis of accounting, which is an accounting basis other than generally accepted accounting principles.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

Consortium's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Consortium's response to the findings identified in our audit and described in the accompanying schedule of findings. The Consortium's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
November 3, 2023

COUNCIL OF ALLEN COUNTY SCHOOLS HEALTH BENEFITS CONSORTIUM
SCHEDULE OF AUDIT FINDINGS
June 30, 2023

2023- 001 Finding Type — Noncompliance — GAAP Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report to the form utilized by the public office. Ohio Administrative Code Section 117-2-03(B) further clarifies the requirements of Ohio Rev. Code 117.38 to require insurance pools to prepare annual GAAP financial report filings. The Consortium did not prepare its financial statements in accordance with Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B).

Recommendation:

We recommend the Consortium prepare its financial statements on the GAAP basis of accounting.

Management’s Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the Consortium’s assets.

OHIO AUDITOR OF STATE KEITH FABER



COUNCIL OF ALLEN COUNTY SCHOOLS HEALTH BENEFITS CONSORTIUM

ALLEN 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 1/2/2024

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