

**OHIO SMALL GROUP POOL**  
**FAIRFIELD COUNTY**  
**REGULAR AUDIT**  
**JULY 1, 2021 – JUNE 30, 2022**





OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Ohio Small Group Pool  
5240 Plum Road  
Bloom Carroll, Ohio 43112

We have reviewed the *Independent Auditor's Report* of the Ohio Small Group Pool, Fairfield County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2021 through June 30, 2022. 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 Ohio Small Group Pool is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

February 07, 2023

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**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Ohio Small Group Pool  
Fairfield County  
5240 Plum Road  
Bloom Carroll, Ohio 43112

To the Board of Directors:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Ohio Small Group Pool, Fairfield County, Ohio (the Pool), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Small Group Pool, Fairfield County, Ohio, as of June 30, 2022, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Pool, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool'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 Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the Pool'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 Pool'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 Pool's internal control over financial reporting and compliance.

*Wilson, Shuman & Snow, Inc.*

December 20, 2022  
Newark, Ohio



**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

The management's discussion and analysis of the Ohio Small Group Pool, Fairfield County (the "Pool") financial performance provides an overall review of the Pool's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Pool's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Pool's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2022 are as follows:

- In total, net position was a \$692,567 at June 30, 2022, \$255,802 higher than net position of \$436,765 reported at June 30, 2021.
- The Pool had operating revenues of \$2,520,252 and operating expenses of \$2,268,202 for fiscal year 2021. The Pool had \$3,752 in investment income. Operating income for the fiscal year was \$252,050.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Pool's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Pool, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Pool.

**Reporting the Pool Financial Activities**

***Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2022?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Pool's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Pool as a whole, the *financial position* of the Pool has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Pool's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 7-8 of this report.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

The statement of cash flows provides information about how the Pool finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**Net Position and Changes in Net Position**

The table below provides a summary of the Pool's net position for fiscal year 2022 and 2021.

	2022	2021
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 881,617	\$ 553,381
Receivables:		
Accounts	155,745	50,828
Total assets	1,037,362	604,209
<b><u>Liabilities:</u></b>		
Claims payable	238,300	78,200
Unearned revenue	106,495	89,244
Total liabilities	344,795	167,444
<b><u>Net Position:</u></b>		
Unrestricted	\$ 692,567	\$ 436,765

The assets of the Pool are comprised mainly of cash and cash equivalents. The Pool established premiums at a level to build reserves should claims payments fluctuate in a given year. The Pool will continue to monitor and assess premiums for their sufficiency to cover claims expenses and continue to support reserve levels. Accounts receivable has been reported for refunds due at June 30, 2022.

The liability for claims payable is calculated by the Pool's independent actuary and estimates the claims incurred and due at June 30, 2022 and 2021.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2022 and 2021.

**Change in Net Position**

	2022	2021
<u>Operating revenues:</u>		
Member contributions	\$ 1,600,162	\$ 1,591,620
Refunds	920,090	390,934
Total operating revenues	2,520,252	1,982,554
<u>Operating expenses:</u>		
Claims	1,683,924	1,102,616
Administrative fees	537,632	554,816
Brokerage service fees	46,646	38,435
Total operating expenses	2,268,202	1,695,867
Operating income	252,050	286,687
<u>Nonoperating revenues:</u>		
Investment income	3,752	1,987
Total nonoperating revenues	3,752	1,987
Change in net position	255,802	288,674
Net position at beginning of fiscal year	436,765	148,091
Net position at end of fiscal year	\$ 692,567	\$ 436,765

Member contributions revenue did not exceed operating expenses in fiscal years 2022 or 2021. Sufficient participant contributions are required to ensure that the Pool meets increasing claims expenses. The Pool did experience a significant increase in medical and prescription refunds during the fiscal year.

Claims expense represents 74.24% and 65.02% of all expenses for fiscal years 2022 and 2021, respectively. The Pool aims to maintain premium revenues at a level sufficient to exceed current year claims expense. Claims expense was 66.82% and 55.62% of total operating revenues for fiscal years 2022 and 2021, respectively. The Pool uses United Healthcare as the third-party administrator for the medical and pharmacy plan.

**Current Financial Related Activities**

The Pool is committed to providing its members with the advantages of a large buying cooperative, while maintaining control by the local district leadership. The Pool will continue to look at potential members who meet the established criteria. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Pool is committed to protecting the long-term financial interests of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)**

The Pool Board of Directors and its administrative agent, continually discuss Pool enhancements to the existing product line. Establishing premiums that satisfy all claims, administration fees, and other expenses of the Pool, in addition to enhancing the net position is important for the short-term and long-term interests of the Pool.

The most significant challenge facing the Pool's Board of Directors is the current trend of skyrocketing health care costs, primarily medical and pharmacy. As the claims costs for medical and prescription drug continue to escalate, the Board of Directors is faced with the unenviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio's government entities. This is much the same as the dilemma facing American businesses today, and is complicated by the fact that each member in the Pool must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Pool and its Board of Directors, and the future looks better from the collective, as opposed to individual, view its members.

**Contacting the Pool's Financial Management**

This financial report is designed to provide our members, potential members and investors and creditors with a general overview of the Pool's finances and to show the Pool's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Travis Bigam, Treasurer, Bloom Carroll Local School District, 5240 Plum Road Northwest, Carroll, Ohio 43112.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY**

STATEMENT OF NET POSITION  
JUNE 30, 2022

<b>Assets:</b>	
Cash and cash equivalents	\$ 881,617
Receivables:	
Accounts	<u>155,745</u>
Total assets	<u>1,037,362</u>
<b>Liabilities:</b>	
Claims payable	238,300
Unearned revenue	<u>106,495</u>
Total current liabilities	<u>344,795</u>
<b>Net position:</b>	
Unrestricted	<u>692,567</u>
Total net position	<u>\$ 692,567</u>

See accompanying notes to the basic financial statements.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY**

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<b>Operating revenues:</b>	
Member contributions	\$ 1,600,162
Refunds	<u>920,090</u>
Total operating revenues	<u>2,520,252</u>
<b>Operating expenses:</b>	
Claims	1,683,924
Administrative fees	537,632
Brokerage service fees	<u>46,646</u>
Total operating expenses	<u>2,268,202</u>
Operating income	<u>252,050</u>
<b>Nonoperating revenues:</b>	
Investment income	<u>3,752</u>
Total nonoperating revenues	<u>3,752</u>
Change in net position	255,802
<b>Net position at beginning of fiscal year</b>	<u>436,765</u>
<b>Net position at end of fiscal year</b>	<u><u>\$ 692,567</u></u>

See accompanying notes to the basic financial statements.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Cash flows from operating activities:**

Cash received from member contributions	\$ 1,617,413
Cash received from refunds	815,173
Cash payments for claims	(1,523,824)
Cash payments for administrative fees	(537,632)
Cash payments for brokerage service fees	<u>(46,646)</u>

Net cash provided by operating activities 324,484

**Cash flows from investing activities:**

Investment income 3,752

Net cash provided by investing activities 3,752

Net increase in cash 328,236

**Cash and cash equivalents at beginning of fiscal year** 553,381

**Cash and cash equivalents at end of fiscal year** \$ 881,617

**Reconciliation of operating income to  
net cash provided by operating activities:**

Operating income \$ 252,050

Changes in assets and liabilities:

Increase in accounts receivable (104,917)

Increase in claims payable 160,100

Increase in unearned revenue 17,251

**Net cash provided by operating activities** \$ 324,484

See accompanying notes to the basic financial statements.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 1 - DESCRIPTION OF THE POOL**

The Ohio Small Group Pool (the "Pool") is a legally separate entity organized under Ohio Revised Code Section Chapter 167. The Pool was established on July 1, 2018 and will have perpetual duration until the agreement is terminated. The Pool was formed by the governing bodies of the Southeastern Ohio Regional Jail, the City of Nelsonville and the City of Belpre for the provision of providing certain medical, hospitalization, dental, prescription drug, and life benefits for their employees and the eligible dependents of those employees. For fiscal year 2022, benefits were limited to medical and pharmacy.

The Pool is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No. 30. It was formed to carry out a cooperative Pool for the provisions and administration of health care benefits for member employees in accordance with the Pool bylaws.

The governing body of the Pool is the Board of Directors. Each member is represented on the Board of Directors by his or her designee. All representatives serve without compensation.

The Pool's management believes these financial statements present all activities for which the Pool is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Pool have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Pool's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, *"The Financial Reporting Entity"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34"*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Pool are not misleading. On this basis, no governmental organizations other than the Pool itself are included in the financial reporting entity.



**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**B. Fund Accounting**

The Pool 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 Pool uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Pool utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Pool’s activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the Pool’s operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Pool distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participant’s contributions for insurance coverage and stop loss insurance premiums. Operating expenses for the Pool include the payment of claims, premiums, administrative fees, brokerage service fees and miscellaneous fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Cash Equivalents**

Pool members participate in the South Central Ohio Insurance Consortium (SCOIC) cash and investment pool. The SCOIC is a separate governmental entity that includes the Pool’s members within its operations.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**D. Cash and Cash Equivalents - (Continued)**

The Bloom Carroll Local School District is the fiscal agent for the SCOIC and is reported as a Custodial Fund by the School District. The School District Treasurer is custodian for the SCOIC's cash which includes members of the Pool. The School District's cash and investment pool holds the Pool's cash, valued at the School District's carrying amount.

**E. Member and Supplemental Contributions**

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund claims, insurance premiums and administrative costs of the Pool, and to create and maintain reserves. Under the terms of membership, the Directors may also include any other adjustments to the Pool costs to be paid by any member or all members that it believes are necessary or appropriate for the prudent management of the Pool, including allowance for wellness Pools and other related Pools or services.

**F. Budgetary Process**

Each member of the Pool is required by Ohio law to adopt an annual budget. The Pool itself is not required to follow the budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

**G. Net Position**

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

**H. Unearned Revenue**

The Pool will record member contribution revenues received prior to that period as unearned revenue.

**I. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 3 - RECEIVABLES**

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2022, the Pool reported a \$155,745 receivable for refunded amounts due from member contributions. These receivables are expected to be collected within one year.

**NOTE 4 - RISK MANAGEMENT**

The Pool is a regional council of governments organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health insurance program. The Pool, which is open to any political subdivision whose governing body, pursuant to a duly adopted resolution by the governing body, in the State of Ohio, can join. The Pool is governed by a Board of Directors who selects qualified insurance companies that provide a health insurance program that is adequate to meet the needs of each member under its benefit plan for employees. The Board of Directors also purchases stop loss coverage for claims in excess of a set amount both for individual claims and in the pool's aggregate.

**A. Medical and Prescription Benefits**

The Pool contracts with a third party administrator, United Healthcare, as a third-party administrator to process and pay claims incurred by its members for the medical and pharmacy pool. Members pay monthly premiums to the Pool based upon their plan design, the overall experience of the pool, and each member's individual rating. Members pay monthly premiums to the Pool's Fiscal Agent which are recorded in a single fund for accounting purposes. The Fiscal Agent then wires claim payments to the third party administrator weekly for health and prescription claims processed.

**B. Stop-Loss Coverage**

The Pool employs stop-loss coverage to reduce its risk that large losses may be incurred on medical claims. This allows the Pool 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 Standards of Practice No. 5, *Incurred Health Claims Liabilities* (ASB 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.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 4 - RISK MANAGEMENT - (Continued)**

**D. Member Enrollment**

The initial term of membership shall be a three-year term with three-year terms continuing thereafter in perpetuity. Any new member shall align to the three-year cycle of the founding members of the Pool after its initial term. Each member of the Pool, by execution of the by-laws, irrevocably and absolutely commits to remain a member for at least two years or the balance of the members the balance of the current three-year term, whichever is greater.

**E. Member Withdrawal**

An existing member must give a two hundred seventy days notice before withdrawing from the Pool. If a member submits a two hundred seventy day notice to terminate membership, the Board of Directors may in its sole discretion, reject any subsequent request of the member to withdraw by issuing the withdrawing member a notice of non-re-entry. Members who have complied with all by-laws shall be responsible for meeting any and all of its duties, liabilities, and responsibilities including payment of assessments related to its term of membership.

Any member who elects to withdraw or is terminated from the Pool and has an existing deficit, shall be responsible in addition to any other charges, for the total deficit attributable to the member at the effective date of the members withdrawal or termination. Such member shall also be responsible to fund any and all claims incurred by the members eligible persons, but not yet paid on the members date of withdrawal or termination (run-out claims) and all expenses associated with the payment of run-out claims.

**F. Incurred But Not Reported (IBNR) Claims**

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

It is not necessary for each member to hold a reserve for Incurred But Not Reported (IBNR) claims. The IBNR information is presented by the Pool as required by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, and is not available on a member-by-member basis.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 4 - RISK MANAGEMENT - (Continued)**

The claims liability of \$238,300 reported at June 30, 2022, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the fiscal years ended June 30, 2022 and 2021 as follows:

	2022	2021
Claims payable at beginning of fiscal year	\$ 78,200	\$ 89,600
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	1,831,155	1,242,606
Change in claims expenses for insured events of the prior fiscal year	(147,231)	(139,990)
Total claims expenses	1,683,924	1,102,616
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current fiscal year	1,356,821	983,745
Claims expenses paid attributable to insured events of the prior fiscal year	167,003	130,271
Total claims payments	1,523,824	1,114,016
Claims payable at end of fiscal year	\$ 238,300	\$ 78,200

**NOTE 5 – JOINTLY GOVERNED ORGANIZATION**

The Ohio Small Group Pool is a legally separate entity considered a jointly governed organization with member governmental entities. The Board of Directors consist of the appointed designees and do not have an ongoing financial interest in or ongoing financial responsibility for the member governments other than the claims paid on behalf of the member governments' employees.

**NOTE 6 - LITIGATION**

The Pool is not party to legal proceedings which, in the opinion of Pool management, would have a material effect, if any, on the financial condition of the Pool.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2022, the Pool has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the Pool's financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the Pool. GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and 2) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Pool.

**NOTE 8 – CONTINGENCIES**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Pool. Pool members participate in the South Central Ohio Insurance Consortium (SCOIC) cash and investment pool and SCOIC's investment portfolio is subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investment fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Pool's future operating costs, revenues and any recovery from emergency funding, either federal or state, cannot be estimated.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY**

**FOUR-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Pool's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Pool as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Pool including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Pool's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information prior to fiscal year 2019 is not available as this was the first fiscal year of operations.

**OHIO SMALL GROUP POOL  
FAIRFIELD COUNTY**

**FOUR-YEAR LOSS DEVELOPMENT INFORMATION <sup>(1)</sup> (CONTINUED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>1. Premiums and investment income</b>	\$ 2,524,004	\$ 1,984,541	\$ 2,181,603	\$ 1,502,443
<b>2. Unallocated expenses</b>	584,278	593,251	580,414	463,946
<b>3. Estimated losses incurred and expense, end of year</b>	1,102,616	1,102,616	1,446,656	1,502,443
<b>4. Paid, cumulative as of:</b>				
End of accident year	1,356,821	983,745	1,357,056	1,426,182
One year later	N/A	983,745	1,487,327	1,535,044
Two years later	N/A	N/A	1,487,327	1,535,044
Three years later	N/A	N/A	N/A	1,535,044
<b>5. Re-estimated incurred losses and expense:</b>				
End of accident year	1,831,155	1,242,606	1,446,656	1,562,382
One year later	N/A	1,174,723	1,306,666	1,535,044
Two years later	N/A	N/A	1,306,666	1,535,044
Three years later	N/A	N/A	N/A	1,535,044
<b>6. Change in estimated incurred losses and expenses from end of accident year</b>	-	(67,883)	(139,990)	(27,338)

Notes:

<sup>(1)</sup> Information prior to fiscal year 2019 is not available. This schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.



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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***

Ohio Small Group Pool  
Fairfield County  
5240 Plum Road  
Bloom Carroll, Ohio 43112

To the Board of Directors:

We have audited, 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, the financial statements of the Ohio Small Group Pool, Fairfield County, (the Pool) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements and have issued our report thereon dated December 20, 2022.

***Report on Internal Control Over Financial Reporting***

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

Ohio Small Group Pool  
Fairfield County  
Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliancy and Other Matters Required  
By *Government Auditing Standards*

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Pool'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool'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 Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilson, Shannon E Snow, Inc.*

December 20, 2022  
Newark, Ohio

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# OHIO AUDITOR OF STATE KEITH FABER



**OHIO SMALL GROUP POOL**

**FAIRFIELD COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/21/2023**

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](http://www.ohioauditor.gov)