

Clermont County Insurance Consortium
Clermont County
Regular Audit
For the Fiscal Years Ended June 30, 2010 and 2009



Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.milhuffstangcpa.com ■ Email: natalie@milhuffstangcpa.com



Dave Yost • Auditor of State

Members of the Board
Clermont County Insurance Consortium
2400 Clermont Drive, Suite 100
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Clermont County Insurance Consortium, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2008 through June 30, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Clermont County Insurance Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2011

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Clermont County Insurance Consortium
Clermont County
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Independent Auditor's Report

Board Members
Clermont County Insurance Consortium
2400 Clermont Center Drive, Suite 100
Batavia, Ohio 45103

We have audited the accompanying financial statements of the Clermont County Insurance Consortium, (the Consortium), as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Consortium has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Consortium's larger (i.e. major) funds separately. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Consortium has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Consortium, as of June 30, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010 on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Consortium. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 29, 2010

Clermont County Insurance Consortium
Clermont County
Statements of Cash Receipts, Cash Disbursements and Changes in Cash Balances
For the Years Endend June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Cash Receipts:		
Charges for Services	\$ 17,271,942	\$ 16,333,077
Total Operating Cash Receipts	<u>17,271,942</u>	<u>16,333,077</u>
Operating Cash Disbursements:		
Claims	14,124,950	14,307,014
Administratvie and Stop Loss Fees	1,033,228	1,007,164
Other Purchased Services	90,845	21,516
Life Insurance	<u>131,302</u>	<u>170,242</u>
Total Operating Cash Disbursements	<u>15,380,325</u>	<u>15,505,936</u>
Operating Cash Receipts Over Operating Cash Disbursements	<u>1,891,617</u>	<u>827,141</u>
Non-Operating Cash Receipts:		
Interest	<u>7,321</u>	<u>42,804</u>
Total Non-Operating Cash Receipts	<u>7,321</u>	<u>42,804</u>
Net Receipts Over Disbursements	1,898,938	869,945
Cash Balance, July 1	<u>5,704,570</u>	<u>4,834,625</u>
Cash Balance, June 30	<u>\$ 7,603,508</u>	<u>\$ 5,704,570</u>
Reserve for Encumbrances, June 30	<u>\$ 10,191</u>	<u>\$ -</u>

The notes to the financial statements are an intregral part of this statement.

Clermont County Insurance Consortium
Clermont County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Clermont County Insurance Consortium, Clermont County, Ohio (the Consortium), is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Consortium Members that their agreements shall comply with section 9.833 of the Ohio Revised Code. The Consortium is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Consortium.

The Clermont County Insurance Consortium is a legally separate consortium. The Consortium is in a jointly governed organization with member governmental entities. The Consortium was formed for the purpose of establishing and carrying out a cooperative health program for its member governmental entities. The governing board consists of the superintendent or other designee appointed by each of the members of the Consortium.

The Consortium began utilizing the Clermont County Educational Service Center as its fiscal agent on July 1, 2008. The financial activity for the Consortium is reflected as an agency fund of the fiscal agent.

Management believes the financial statements included in this report represent all of the financial activity of the Consortium over which the Consortium has the ability to exercise direct operating control.

The Consortium is a self funded pool for health (medical and prescription drug) and dental insurance. The Consortium uses third party administrators to process claims, approve and deny claims, and make payments to the providers. Anthem is the third party administrator for health insurance and Dental Care Plus for dental insurance. To protect the Consortium from catastrophic claims, the consortium purchased excess stop loss insurance for its health plan. This coverage, which includes a specific stop loss limit of \$300,000 per subscriber up to a maximum of \$2,000,000 per subscriber and aggregate stop loss at 115% of expected claims to an aggregate maximum of \$2,000,000. Stop loss coverage for dental is not considered necessary because there is a maximum benefit in place.

The Consortium also provides life insurance, section 125, and COBRA administration.

The Consortium uses a third party administrator, EPC Benefits Office, to administer monthly billing and collection from Consortium members and for payments to insurance companies.

The Consortium uses Grossman consulting for the management, bidding, and actuarial services.

Any consortium member wishing to withdraw from participation in the Consortium shall give notification at least one hundred eighty days prior to the July 1 anniversary date of the Consortium's health plan. The effective date of withdraw will be June 30. Any Consortium member which withdraws from the Consortium shall have no claim to the Consortium's assets and shall not be entitled to the return or refund of any premiums or other amounts paid, directly or indirectly, by such Consortium member to the consortium. A withdrawing member may not become a Consortium member again for period of 3 years.

Clermont County Educational Service Center is located at 2400 Clermont Center Drive Suite 100 Batavia, OH 45103.

Clermont County Insurance Consortium
 Clermont County
 Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Consortium's cash is held and invested by the Clermont County Educational Service Center, (the Service Center), who acts as custodian of consortium monies. The Consortium's assets are held by the Service Center in a separate demand deposit account and a STAR Ohio account. The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Budgetary Process

The member governments of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself does not adopt a budget.

E. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the consortium, these cash receipts are charges for insurance services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund.

2. CASH AND INVESTMENTS

The Service Center is the fiscal agent for the Consortium. The Service Center maintains deposits and specific investments for the Consortium. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments held by the Clermont County Educational Service Center for the Consortium at June 30 was as follows:

	<u>2010</u>	<u>2009</u>
Cash:		
Demand deposits	\$5,089,349	\$3,193,350
Investments:		
Star Ohio	<u>2,514,159</u>	<u>2,511,220</u>
Total Deposits and Investments	<u>\$7,603,508</u>	<u>\$5,704,570</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or by a collateral pool established by the financial institution to secure the repayment of all public monies with the institution

Investments: Investments in Star Ohio are not evidenced by securities that exist in physical or book-entry form.

Clermont County Insurance Consortium
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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2010 and 2009

3. RISK MANAGEMENT

The Clermont County Insurance Consortium, Clermont County, Ohio (the Consortium), is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Consortium Members that their agreements shall comply with section 9.833 of the Ohio Revised Code. The Consortium is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Consortium.

The consortium is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance that is adequate to meet the needs of each member school under its benefit plan for its employees. The Board of Directors is composed of one representative from each member school.

The consortium is self insured for health and dental insurance. Annual premiums are determined by a majority vote of the Directors.

Member schools may withdraw from the Consortium, and may be removed for failure to make the required payments. Upon withdraw of any Consortium Member, the Consortium shall pay the run out of all benefit claims for such Consortium Member provided such Consortium Member has paid to the Consortium prior to the effective date of withdraw a withdraw fee in the amount equal to two (2) months' premiums at such Consortium Member's then current rates.

Any Consortium Member which withdraws from the Consortium shall have no claim to the Consortium's assets and shall not be entitled to the return or refund of any premiums or other amounts paid, directly or indirectly, by such Consortium Member to the consortium. A withdrawing member may not become a Consortium Member again for period of (3) years.

4. LOSS RESERVE

The loss reserve for the Clermont County Insurance Consortium is two (2) months run out plus estimated administrative fees at termination. At June 30, 2010 and 2009 the two month run out for health was \$2,340,493 and the estimated administrative fee at termination was \$210,644. The dental two (2) month run out was \$221,509 for 2010 and \$229,913 for 2009 and the estimated fee at termination was \$5,680 for both years. The consortium also attempts to maintain for an additional health surplus of 115% of the aggregate which was \$2,106,444 for both 2010 and 2009. The Consortium's excess cash balance over the reserve/surplus calculation at June 30, 2010 and 2009 was \$2,718,738 and \$811,396 respectively.

Clermont County Insurance Consortium
Clermont County
Required Supplementary Information
For the Fiscal Year Ended June 30, 2010 and 2009

Loss Reserve Development

The following table illustrates how the Consortium's cash receipts (including investment income) compared to related payments of claims and other cash disbursements made by the Consortium as of the end of the fiscal year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross received premiums and investment income.
- (2) This line shows non-claims related cash disbursements of the Consortium for each fiscal year including premiums, administrative fees, professional fees, and other miscellaneous cash disbursements.
- (3) This section shows the cumulative net amount of claims paid as of the end of the accident year.

The Consortium reports data on the cash basis of accounting. Premiums and investment income are recorded when received and unallocated cash disbursements and claims are recorded when paid by the Consortium. A claims liability is not recorded under the Consortium's cash basis of accounting. The Consortium became self-insured through Anthem and Dental Care Plus effective July 1, 2008.

Loss reserve development information for the fiscal year ended June 30 is as follows:

	<u>2010</u>	<u>2009</u>
(1) Premiums and investment income	\$17,279,263	\$16,375,881
(2) Unallocated cash disbursements	1,255,375	1,198,922
(3) Paid, cumulative as of:		
End of accident year	14,124,950	14,307,014



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Clermont County Insurance Consortium
2400 Clermont Center Drive, Suite 100
Batavia, Ohio 45103

We have audited the financial statements of Clermont County Insurance Consortium, (the Consortium), as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 29, 2010, wherein we noted the Consortium prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting practices generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Consortium's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Clermont County Insurance Consortium
Clermont County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, and others within the Consortium and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 29, 2010



Dave Yost • Auditor of State

CLERMONT COUNTY INSURANCE CONSORTIUM

CLERMONT 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
MARCH 3, 2011**