JEFFERSON HEALTH PLAN
(FORMERLY KNOWN AS OME-RESA
HEALTH BENEFITS CONSORTIUM)
Jefferson County, Ohio

Financial Statements
and
Supplementary Financial Information
For the year ended June 30, 2014

and Independent Auditors' Report Thereon

SCHNEIDER DOWNS

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Dave Yost • Auditor of State

Board of Directors
Jefferson Health Plan
1715 Indian Wood Circle, Suite 100
Maumee, OH 43537

We have reviewed the *Independent Auditors' Report* of the Jefferson Health Plan, Jefferson County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Jefferson Health Plan is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

October 14, 2014

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SCHNEIDER DOWNS

INDEPENDENT AUDITORS' REPORT

Jefferson Health Plan
Board of Directors
Jefferson County, Ohio

Report on the Financial Statement

We have audited the accompanying statement of cash receipts, cash disbursements and changes in cash balances of the Jefferson Health Plan (formerly known as Ohio Mid-Eastern Educational Service Agency (OME-RESA) Health Benefits Consortium), (the Consortium) as of and for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As discussed in Note 1, this financial statement has been prepared using accounting practices prescribed or permitted by the Auditor of State, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

The effects on the financial statement of the variances between these regulatory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be are material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with the accounting principles generally accepted in the United States of America, the financial statements of the Jefferson Health Plan as of June 30, 2014 or changes in financial position or cash flows statement thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of the Jefferson Health Plan, as of June 30, 2014, and its combined cash receipts and cash disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 30, 2014

JEFFERSON HEALTH PLAN
(FORMERLY KNOWN AS OME-RESA HEALTH BENEFITS CONSORTIUM)
JEFFERSON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

CASH RECEIPTS:	
Contributions from members	$ 128,594,861
Investment earnings	469,205
Total Cash Receipts	129,064,066
OPERATING CASH DISBURSEMENTS:	
Claims payments	96,559,258
Stop-loss premiums	3,010,614
Administrative fees	8,811,901
Life and vision premium	276,646
Total Cash Disbursements	108,658,419
Cash Receipts in excess of Operating Cash Disbursements	20,405,647
OTHER FINANCING DISBURSEMENTS:	
Reimbursement of balances to members	(7,713,194)
Total Receipts over Disbursements	12,692,453
CASH BALANCES:	
Cash Balances, July 1, 2013	102,088,820
Cash Balances, June 30, 2014	$ 114,781,273

See accompanying notes to financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Jefferson Health Plan (the Consortium) is a claims servicing pool established pursuant to Ohio Revised Code Chapter 167. The legislative body of the Consortium is an assembly consisting of a designee from each of its ninety members. The membership of the assembly appoints a nine-member Board of Directors, which acts as the managerial body of the Consortium. The Consortium provides a cooperative program to administer medical, prescription, vision, and dental benefits for employees of the participating entities and their eligible dependents.

Contributions to the Consortium are received monthly from the participants and their employees based upon amounts determined by independent insurance consultants. At June 30, 2014, a stop-loss third party insured the Consortium for claims in excess of $500,000 per participant.

Besides the standard monthly contributions, the Consortium may extend an assessment to each participant based on a three-year window calculation determined by an independent insurance consultant. The calculation is based on the ratio of total expense to total income for each member during the previous three years ended June 30. The insurance consultant separately reviews each participant's medical, prescription, vision and dental balances for potential assessments. Conversely, a participant may be eligible for a month or two-month waiver of its monthly contributions based on the above calculation.

A participant may withdraw from the Consortium or any particular benefits program. Three participants withdrew from the Consortium, while five additional participants enrolled during the period July 1, 2013 through June 30, 2014.

All administrative costs and expenses incurred for the maintenance of the Consortium have been paid by the participants through June 30, 2014.

The Consortium's management believes that this financial statement presents all activities for which the Consortium is financially accountable.

The Jefferson County Education Service Center acts as fiscal agent for the Consortium and is a separate reporting entity with separate financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Directors declared a one-time special dividend for certain eligible participating member organizations. The one-time special dividend was declared to have the effect of transferring the payment of run out claims for a period not longer than six months from the effective date of termination for the member organization to the Consortium. Member organizations that take part in this one-time special dividend are required to execute a new agreement modifying their original agreement with the Consortium to permanently transfer their payment of run out claims for a period not longer than six months from the effective date of termination to the Consortium from the participating member organization in return for membership in the Consortium for three additional years. The one-time special dividend would transfer a substantial debt from member organizations to the Consortium. Members leaving the Consortium not having given a six-month notice of termination are not eligible to participate. At June 30, 2014, thirty-six members obtained the one-time special dividend.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes activity only when cash is received or disbursed rather than when revenue is earned and expenses incurred.

These statements adequately disclose material matters the Auditor of State prescribes or permits.

C. Cash and Investments

The Consortium’s accounting basis includes investments as cash. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

The Consortium values investments at cost.

D. Budgetary Process

The budgetary process is not a requirement of the Consortium.

2. EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash and investments at June 30 follows:

		2014
Bank and Finance Bonds	$	4,995,750
Money Market Funds		7,904,147
Treasury Bonds		11,830,000
Municipal Bonds		19,502,950
Industrial Bonds		19,984,108
Government Agency Bonds		50,564,318
Total Deposits	$	114,781,273

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Consortium, or (3) collateralized by the financial institution's public entity deposit pool.

3. RISK MANAGEMENT

Self-Insurance

The Consortium is a claims servicing self-insurance pool organized under Ohio Revised Code Chapter 167 for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating members and their eligible dependents. The Consortium contracts with third-party administrators to process and pay health claims, dental claims and vision claims incurred by its members.

The Consortium also purchases stop-loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate.

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are claims by eligible employees which are payable by each member, the member's share of the medical, prescription, vision and dental insurance premiums, and their proportionate share of the administrative costs of the Consortium. The actual balance of each member's account is determined on a monthly basis. Each member is required to meet or exceed the claims that have been incurred but not reported (IBNR) and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

3. RISK MANAGEMENT (Continued)

Members may withdraw from the Consortium with as much notice as is possible for the termination, allowing the Consortium time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Consortium for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of claims incurred prior to the termination of membership so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Consortium; will be required to repay the deficit in full within 90 days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

4. CLAIMS LIABILITY

The IBNR claims (actuarial liability) at June 30 are used by the Consortium to help determine the rates to charge members. Additionally, the estimation of IBNR, as of a valuation date, allows the consortium to compare the liability to the funds reserved and to determine whether the amounts reserved meet the requirements of Ohio Revised Code Section 9.833. The Consortium has also established a formal funding policy for claims fluctuation reserves to aid in tempering potential significant fluctuations in premiums and contribution levels that may be required. The IBNR claims liability and the fluctuation reserve are based on actuarial assumptions that produce a liability estimate consistent with the plan of benefits in force and with administrative practices and have been calculated on actuarial assumptions that are reasonable and appropriate under the circumstances. Premium charges to members are based on calculations provided by the Consortium's Health Actuary. As of the valuation date, June 30, the IBNR liabilities, the fluctuation reserves and the total funds reserved follow:

	2014
Cash and investments	$ 114,781,273
Actuarial Liabilities	11,428,775
Excess funds before Fluctuation reserve	103,352,498
Fluctuation reserve	14,610,558
Excess Funds	$ 88,741,940

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SUPPLEMENTARY FINANCIAL INFORMATION

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*

Jefferson Health Plan
Board of Directors
Jefferson County, Ohio

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 financial statement of the Jefferson Health Plan (formerly known as Ohio Mid-Eastern Educational Service Agency (OME-RESA) Health Benefits Consortium), (the Consortium), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated September 30, 2014.

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) to determine the audit procedures that are appropriate in the circumstances 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. 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 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 might exist that have not been identified.

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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*.

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.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 30, 2014

JEFFERSON HEALTH PLAN
(FORMERLY KNOWN AS OME-RESA HEALTH BENEFITS CONSORTIUM)
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

The prior audit report, as of June 30, 2013, reported no material citations or recommendations.

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JEFFERSON HEALTH PLAN

JEFFERSON 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
OCTOBER 21, 2014