



**CENTRAL OHIO SCHOOL STOP-LOSS ORGANIZATION  
FRANKLIN COUNTY**

**INITIAL AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2018 AND PERIOD ENDED 2017**



**CENTRAL OHIO SCHOOL STOP-LOSS ORGANIZATION  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Auditor's Report .....   | 1           |
| Prepared by Management:  |             |
| Statement of Receipts, Disbursements, and Changes in Fund Cash Balance<br>(Regulatory Cash Basis) - Proprietary Fund FYE 12/31/2018 .....                                  | 3           |
| Notes to the Financial Statements FYE 12/31/2018.....  | 4           |
| Statement of Receipts, Disbursements, and Changes in Fund Cash Balance<br>(Regulatory Cash Basis) - Proprietary Fund period ended 12/31/2017 .....                         | 6           |
| Notes to the Financial Statements period ended 12/31/2017 .....  | 7           |
| Independent Auditor's Report on Internal Control Over Financial<br>Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 9           |

**THIS PAGE INTENTIONALLY LEFT BLANK**

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Central Ohio School Stop-Loss Organization  
Franklin County  
200 East Wilson Bridge Road  
Worthington, Ohio 43085

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Central Ohio School Stop-Loss Organization, Franklin County, Ohio (the Cooperative) as of and for the year ended December 31, 2018 and period ended December 31, 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements 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.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Cooperative's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Cooperative prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Cooperative does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Cooperative as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the year and period then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Central Ohio School Stop-Loss Organization, Franklin County as of December 31, 2018 and 2017, for the year and period 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019, on our consideration of the Cooperative'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 Cooperative's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

July 25, 2019

**Central Ohio School Stop Loss Organization**  
**Statement of Receipts, Disbursements, and Changes in Fund Cash Balance (Regulatory Cash Basis)**  
**Proprietary Fund**  
**For the Year Ended December 31, 2018**

|   |  |              |
|---|--|--------------|
| <b>Operating Cash Receipts</b>              |  |              |
| Charges for Services                        |  | \$ 5,090,824 |
| <i>Total Operating Cash Receipts</i>        |  | 5,090,824    |
| <b>Operating Cash Disbursements</b>         |  |              |
| Stop Loss Premiums Paid                     |  | 4,895,306    |
| Professional Services                       |  | 55,556       |
| <i>Total Operating Cash Disbursements</i>   |  | 4,950,862    |
| <i>Net Change in Fund Cash Balance</i>      |  | 139,962      |
| <i>Fund Cash Balance, January 1, 2018</i>   |  | 420,321      |
| <i>Fund Cash Balance, December 31, 2018</i> |  | \$ 560,283   |

See accompanying notes to the financial statements

**Central Ohio School Stop Loss Organization  
Franklin County, OH**

Notes to the Financial Statements  
For the Year Ended December 31, 2018

**Note 1 – Reporting Entity**

The Central Ohio School Stop Loss Organization (COSSO) (the Organization), Franklin County, is a Council of Governments established under Ohio Revised Code Section 167.04. The Organization was formed on November 8, 2016 when four local school districts, Dublin City, Upper Arlington City, Westerville City, and Worthington City, joined together to purchase stop-loss reinsurance for each member district's health insurance program. Any Board of Education of a public school district located within Ohio may be invited to join as a new member upon approval by a majority of all then-current Members of the Governing Board and upon execution of a resolution that accepts the Organization's constitution and by-laws. Any member may withdraw at any time after it has been a member for two years by providing its intentions in writing at least 90 days prior to the renewal of the insurance. Upon withdrawal, no dues or assessments paid by the Member shall be refunded, and said member shall not be entitled to any cash or assets in the custody or control of the Organization. No additional members were added during fiscal year 2018, however Mansfield City School District was approved to join the Organization for fiscal year 2019 and made its premium payment for January 2019 in December 2018.

The Organization is a jointly governed organization formed for the purpose of pooling purchasing power in order to obtain the best price and quality of re-insurance services. Each of the governments of these members supports the Organization. The Governing Board consists of representatives from the active membership as follows: The Treasurer or designee from each Founding Member shall be appointed to an initial term through June 30, 2020. Elections of representatives who will serve on the Governing Board on or after July 1, 2020 shall be held during the annual meeting following commencement of any then-Representatives term and will be open to any Treasurer of a Member District. The degree of control exercised by any member is limited to its representation of the Board.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Organization uses an enterprise fund to account for operations similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Organization's financial statements consist of a statement of receipts, disbursements and changes in cash fund balances (cash basis) for its sole enterprise (proprietary) fund consisting of charges for services from member districts.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.



**Central Ohio School Stop Loss Organization  
Franklin County, OH**

Notes to the Financial Statements  
For the Year Ended December 31, 2018

***Budgetary Process***

The Organization, as a Council of Governments, is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Governing Board approves member contributions annually, generally in December for the following year, to produce a sufficient sum of money to fund the premium due to the re-insuring agency along with other minor professional fees. The Governing Board can amend required monthly membership contributions to sufficiently cover administrative expenses as they occur.

**Note 3 – Cash and Deposits**

The Fiscal Officer of the Organization is an elected member of the Governing Board as outlined in the by-laws, currently the Treasurer of Worthington City School District. Funds are maintained in a segregated bank account separate from the District's and in the name of the Organization.

At December 31, 2018 the carrying amount and bank balance of the Organization's deposits was \$560,283. Deposits are either insured by the Federal Depository Insurance Corporation or by the Ohio Pooled Collateral System (OPCS). The OPCS allows for the Organization's financial institution to pledge collateral to the Ohio Treasurer's Office to secure the Organization's public deposits. The Treasurer's Office is the sole administrator and monitor of the program.

The cash balance at year end represents premium payments made by member districts in December 2018 for coverage in January 2019 that will be paid in January 2019.

**Note 4 – Risk Management**

Each Member District contracts with a third party administrator to process and pay medical and prescription drug claims incurred by its employees.

The Organization contracts with a third party for stop-loss coverage to reduce each member's risk that large losses may be incurred on medical claims. This allows the Member Districts to recover a portion of the losses on claims from the re-insurer, although it does not discharge their primary liability.

The reinsurance contract is issued to the Organization, and each Member District reimburses the Organization a portion of the total premium based on several factors including the number of employees, claims experience, and deductible amount. Any claims exceeding the deductible are reimbursed directly to the Member District that has incurred the claim.

The Organization contracts with a consultant, Gallagher Benefits, to manage and facilitate the program.

**Central Ohio School Stop Loss Organization**  
**Statement of Receipts, Disbursements, and Changes in Fund Cash Balance (Regulatory Cash Basis)**  
**Proprietary Fund**  
**For Fourteen-Month Period Ended December 31, 2017**

|   |              |
|---|--------------|
| <b>Operating Cash Receipts</b>              |              |
| Charges for Services                        | \$ 4,599,852 |
| <i>Total Operating Cash Receipts</i>        | 4,599,852    |
| <b>Operating Cash Disbursements</b>         |              |
| Stop Loss Premiums Paid                     | 4,109,811    |
| Professional Services                       | 69,720       |
| <i>Total Operating Cash Disbursements</i>   | 4,179,531    |
| <i>Net Change in Fund Cash Balance</i>      | 420,321      |
| <i>Fund Cash Balance, November 8, 2016</i>  | -            |
| <i>Fund Cash Balance, December 31, 2017</i> | \$ 420,321   |

See accompanying notes to the financial statements

**Central Ohio School Stop Loss Organization  
Franklin County, OH**

**Note 1 – Reporting Entity**

The Central Ohio School Stop Loss Organization (COSSO) (the Organization), Franklin County, is a Council of Governments established under Ohio Revised Code Section 167.04. The Organization was formed on November 8, 2016 when four local school districts, Dublin City, Upper Arlington City, Westerville City, and Worthington City, joined together to purchase stop-loss reinsurance for each member district's health insurance program. Any Board of Education of a public school district located within Ohio may be invited to join as a new member upon approval by a majority of all then-current Members of the Governing Board and upon execution of a resolution that accepts the Organization's constitution and by-laws. Any member may withdraw at any time after it has been a member for two years by providing its intentions in writing at least 90 days prior to the renewal of the insurance. Upon withdrawal, no dues or assessments paid by the Member shall be refunded, and said member shall not be entitled to any cash or assets in the custody or control of the Organization. No additional members were added during fiscal year 2017.

The Organization is a jointly governed organization formed for the purpose of pooling purchasing power in order to obtain the best price and quality of re-insurance services. Each of the governments of these members supports the Organization. The Governing Board consists of representatives from the active membership as follows: The Treasurer or designee from each Founding Member shall be appointed to an initial term through June 30, 2020. Elections of representatives who will serve on the Governing Board on or after July 1, 2020 shall be held during the annual meeting following commencement of any then-Representatives term and will be open to any Treasurer of a Member District. The degree of control exercised by any member is limited to its representation of the Board.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Organization uses an enterprise fund to account for operations similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Organization's financial statements consist of a statement of receipts, disbursements and changes in cash fund balances (cash basis) for its sole enterprise (proprietary) fund consisting of charges for services from member districts.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Organization, as a Council of Governments, is not bound by the budgetary laws prescribed by the

**Central Ohio School Stop Loss Organization  
Franklin County, OH**

Ohio Revised Code. The Governing Board approves member contributions annually, generally in December for the following year, to produce a sufficient sum of money to fund the premium due to the re-insuring agency along with other minor professional fees. The Governing Board can amend required monthly membership contributions to sufficiently cover administrative expenses as they occur.

**Note 3 – Cash and Deposits**

The Fiscal Officer of the Organization is an elected member of the Governing Board as outlined in the by-laws, currently the Treasurer of Worthington City School District. Funds are maintained in a segregated bank account separate from the District's and in the name of the Organization.

At December 31, 2017 the carrying amount and bank balance of the Organization's deposits was \$420,321. Deposits are either insured by the Federal Depository Insurance Corporation or by the Ohio Pooled Collateral System (OPCS). The OPCS allows for the Organization's financial institution to pledge collateral to the Ohio Treasurer's Office to secure the Organization's public deposits. The Treasurer's Office is the sole administrator and monitor of the program.

The cash balance at year end represents premium payments made by Member Districts in December 2017 for coverage in January 2018 that will be paid in January 2018.

**Note 4 – Risk Management**

Each Member District contracts with a third party administrator to process and pay medical and prescription drug claims incurred by its employees.

The Organization contracts with a third party for stop-loss coverage to reduce each member's risk that large losses may be incurred on medical claims. This allows the Member Districts to recover a portion of the losses on claims from the re-insurer, although it does not discharge their primary liability.

The reinsurance contract is issued to the Organization, and each Member District reimburses the Organization a portion of the total premium based on several factors including the number of employees, claims experience, and deductible amount. Any claims exceeding the deductible are reimbursed directly to the Member District that has incurred the claim.

The Organization contracts with a consultant, Gallagher Benefits, to manage and facilitate the program.



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

Central Ohio School Stop-Loss Organization  
Franklin County  
200 East Wilson Bridge Road  
Worthington, Ohio 43085

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Central Ohio School Stop-Loss Organization, Franklin County, (the Cooperative) as of and for the year ended December 31, 2018 and period ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Cooperative's financial statements and have issued our report thereon dated July 25, 2019, wherein we noted the Cooperative followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Cooperative's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Cooperative's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

July 25, 2019

OHIO AUDITOR OF STATE  
**KEITH FABER**



**CENTRAL OHIO SCHOOL STOP-LOSS ORGANIZATION REGIONAL COUNCIL OF GOVERNMENT**

**MARION 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  
SEPTEMBER 3, 2019**