

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

REGULAR AUDIT

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



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Directors
Ohio School Benefits Cooperative
205 North Seventh Street
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the Ohio School Benefits Cooperative, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio School Benefits Cooperative is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2024

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**Ohio School Benefits Cooperative
Muskingum County, Ohio**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ohio School Benefits Cooperative
Muskingum County, Ohio
205 N. 7th Street
Zanesville, Ohio 43701

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Ohio School Benefits Cooperative, Muskingum County, Ohio (Cooperative) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative'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 School Benefits Cooperative, Muskingum County, Ohio as of June 30, 2023, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with 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 (*Government Auditing Standards*). 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 Cooperative 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 Cooperative'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 Cooperative'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 Cooperative'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 Loss Development Information, as 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 GAAS, 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 18, 2023 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. 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 Cooperative's internal control over financial reporting and 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
December 18, 2023

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Ohio School Benefits Cooperative
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

The management's discussion and analysis of the Ohio School Benefits Cooperative (the "Cooperative") financial performance provides an overall review of the Cooperative's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Cooperative'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 Cooperative's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- The assets of the Cooperative exceeded its liabilities at the close of the most recent fiscal year by \$11.6 million, a decrease of \$2.3 million in comparison with the prior fiscal year-end.
- The Cooperative's operating expenses exceeded operating revenues by \$2.4 million during the most recent fiscal year.

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 Cooperative'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 Cooperative, 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 Cooperative.

Reporting the Cooperative 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 2023?" 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 Cooperative's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Cooperative as a whole, the *financial position* of the Cooperative has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Cooperative finances and meets the cash flow needs of its operations.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information

The required supplementary information contains loss development information.

Net Position and Changes in Net Position

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

	2023	2022
<u>Assets</u>		
Cash and cash equivalents	\$ 15,432,698	\$ 17,754,250
Cash with Fiscal Agent	-	52,735
Investments	6,930,995	7,248,420
Accounts Receivable	48,556	495,440
Accrued Interest Receivable	22,589	18,461
Prepayments	21,953	20,490
Total Assets	22,456,791	25,589,796
<u>Liabilities:</u>		
Accounts payable	49,174	58,698
Unearned revenue	2,180,929	3,042,794
Claims payable	8,597,951	8,564,575
Total Liabilities	10,828,054	11,666,067
<u>Net Position:</u>		
Unrestricted	\$ 11,628,737	\$ 13,923,729

Cash and cash equivalents decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of operating loss of \$2.4 million during the fiscal year due to the timing of premium collection as compared to claims payments.

Accounts receivable decreased significantly in comparison with the prior fiscal year-end. This decrease is the result of more members being on time with their premium payments as of June 30, 2023, resulting in this decrease.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Unearned revenue decreased significantly in comparison with the prior fiscal year-end. This decrease is the result of fewer members paying their July premium in June, compared with the prior year.

The table below shows the changes in net position for fiscal year 2023 and 2022.

Change in Net Position

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Member Premiums	\$ 76,126,142	\$ 70,546,472
Stop-Loss Premiums	2,804,982	2,123,167
Total operating revenues	<u>78,931,124</u>	<u>72,669,639</u>
<u>Operating Expenses:</u>		
Claims	68,905,571	65,653,512
Stop-Loss Premiums	7,498,365	6,845,065
Administrative Services	3,036,619	3,087,330
Brokerage Services	1,347,492	1,255,929
Affordable Care Act Fees	41,030	49,445
Consulting Services	205,560	207,242
Invoice Processing Services	148,426	150,925
Legal Services	62,930	57,561
Fiscal Agent Services	68,186	62,999
Miscellaneous	46,863	58,425
Total operating expenses	<u>81,361,042</u>	<u>77,428,433</u>
Operating income (loss)	(2,429,918)	(4,758,794)
<u>Non-operating revenues (expenses):</u>		
Interest revenue (expense)	<u>134,926</u>	<u>(164,104)</u>
Total non-operating revenues (expenses)	<u>134,926</u>	<u>(164,104)</u>
Change in Net Position	(2,294,992)	(4,922,898)
Net position, July 1	<u>13,923,729</u>	<u>18,846,627</u>
Net position, June 30	<u>\$ 11,628,737</u>	<u>\$ 13,923,729</u>

Member premium revenues and Claims expenses both increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in members.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Stop-Loss Premiums expense increased in comparison with prior fiscal year. This increase is due to an increase in Self-funded members participating in the stop loss program.

Interest revenue increased significantly in comparison with the prior fiscal year. This increase is primarily the result of rising interest rates.

Current Issues

Management believes that the Ohio School Benefits Cooperative is financially stable. As indicated in the preceding financial information, the Cooperative is dependent on premiums received from member districts. Premium revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program benefit levels will be dependent on increased premiums to meet inflation. Careful financial planning will permit the Cooperative to provide quality benefits for the employees of the member districts.

Contacting the Cooperative's Financial Management

This financial report is designed to provide our member districts, citizens and other interested parties with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Danielle Devoll, Treasurer, Ohio School Benefits Cooperative, 205 North 7th Street, Zanesville, Ohio 43701.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Statement of Net Position
June 30, 2023

Assets:

Current Assets

Cash and Cash Equivalents	\$ 15,432,698
Investments	6,930,995
Accounts Receivable	48,556
Accrued Interest Receivable	22,589
Prepayments	21,953
Total Current Assets	<u>22,456,791</u>

Total Assets

22,456,791

Liabilities:

Current Liabilities

Accounts Payable	49,174
Unearned Revenue	2,180,929
Claims Payable	8,597,951
Total Current Liabilities	<u>10,828,054</u>

Total Liabilities

10,828,054

Net Position:

Unrestricted	11,628,737
Total Net Position	<u>\$ 11,628,737</u>

See accompanying notes to the basic financial statements.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Statement of Revenues, Expenses, and Changes
in Net Position
For the Fiscal Year Ended June 30, 2023

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Operating Revenues:	
Member Premiums	\$ 76,126,142
Stop-Loss Premiums	2,804,982
Total Operating Revenues	<u>78,931,124</u>
Operating Expenses:	
Claims	68,905,571
Stop-Loss Premiums	7,498,365
Administrative Services	3,036,619
Brokerage Services	1,347,492
Affordable Care Act Fees	41,030
Consulting Services	205,560
Invoice Processing Services	148,426
Legal Services	62,930
Fiscal Agent Services	68,186
Miscellaneous	46,863
Total Operating Expenses	<u>81,361,042</u>
Operating Loss	<u>(2,429,918)</u>
Non-Operating Revenue:	
Interest Revenue	<u>134,926</u>
Total Non-Operating Revenue	<u>134,926</u>
Change in Net Position	(2,294,992)
Net Position, Beginning of Fiscal Year	<u>13,923,729</u>
Net Position, End of Fiscal Year	<u><u>\$ 11,628,737</u></u>

See accompanying notes to the basic financial statements.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Cash Received from Insurance Premiums	\$ 75,672,847
Cash Received from Stop Loss Premiums	2,843,296
Cash Payments for Claims	(68,872,195)
Cash Payments for Stop Loss Premiums	(7,498,365)
Cash Payments for Administrative Services	(3,036,619)
Cash Payments for Other Professional Services	(1,886,777)
Cash Payment for Other	(44,697)
Net Cash Used for Operating Activities	<u>(2,822,510)</u>
 Cash Flows from Investing Activities:	
Interest Received	348,223
Cash Received from Investment Maturities	2,485,000
Cash Payments for Investment Purchases	(2,385,000)
Net Cash Provided by Investing Activities	<u>448,223</u>
 Net Decrease in Cash and Cash Equivalents	 (2,374,287)
 Cash and Cash Equivalents at Beginning of Fiscal Year	 <u>17,806,985</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 15,432,698</u>
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (2,429,918)
 Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	446,884
Prepaid Items	(1,463)
Accounts Payable	(9,524)
Unearned Revenue	(861,865)
Claims Payable	33,376
Net Cash Used for Operating Activities	<u>\$ (2,822,510)</u>

See accompanying notes to the basic financial statements.

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Ohio School Benefits Cooperative
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The Ohio School Benefits Cooperative, Muskingum County, (the Cooperative) is a legally separate entity organized under Ohio Revised Code Section 9.833. The Cooperative was established on February 7, 2006, formed by Boards of Education of several school districts in southeast Ohio, for the purpose of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees.

The Cooperative utilizes the Muskingum Valley Education Service Center (the Fiscal Agent) as its fiscal agent.

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

The Governing Body of the Cooperative is the Board of Directors composed of the Superintendents and Treasurers of the member districts. The Board of Directors and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) shall function as the advisory body to the Cooperative. It shall consist of nine representatives.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Cooperative consists of all funds, departments, boards, and agencies that are not legally separate from the Cooperative. For the Cooperative, this includes the general operations of the shared risk pool.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Cooperative's basic financial statement consists of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

The Cooperative uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. Statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Cooperative's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from the nonexchange transactions, in which the Cooperative receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Cooperative must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Cooperative on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Cash and Investments

The Cooperative's cash is pooled and invested by the Fiscal Agent, Muskingum Valley Educational Service Center. The Fiscal Agent acts as the custodian for the Cooperative's monies. Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased for the Cooperative are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

F. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Cooperative or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Cooperative applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At fiscal year-end, all of the Cooperative's net position is considered unrestricted.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

G. Budgetary Process

The Cooperative is not required to adopt a budget; however, member school districts are required by Ohio law to adopt an annual budget.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Cooperative. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Cooperative. All revenues and expenses not meeting this definition are reported as non-operating.

I. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. The unearned revenue for the Cooperative represents fiscal year 2024 premiums received in fiscal year 2023.

J. Estimates

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Monies held by the Cooperative are classified into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Cooperative treasury. Active monies must be maintained either as cash in the Cooperative treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the Cooperative's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Interim monies held by the Cooperative can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Cooperative, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Cooperative will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$4,813,852 of the Cooperative’s bank balance of \$15,106,164 was exposed to custodial credit risk because it was uninsured and collateralized. The Cooperative’s financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

Eligible securities pledged to the Cooperative and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

At fiscal year-end, the Cooperative had the following investments:

Investment Type	Amount	Percentage %	Investment Maturities		
			1 year or less	1 to 3 years	Greater than 3 years
Negotiable CD's	\$ 6,930,995	96%	\$ 1,223,347	\$ 2,585,142	\$ 3,122,506
Money Market	326,532	4%	326,532	-	-
Total	\$ 7,257,527	100%	\$ 1,549,879	\$ 2,585,142	\$ 3,122,506

The Cooperative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Cooperative's investments in negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). The Cooperative’s investments in money market accounts are valued using quoted prices in active markets for identical assets (Level 1 inputs).

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Cooperative’s investment policy limits investment portfolio maturities to five years or less.

Ohio School Benefits Cooperative
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Cooperative has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 4 - RISK MANAGEMENT

A. Medical and Dental Benefits

The Cooperative contracts with a third-party administrator, Medical Mutual, to process and pay health and dental claims incurred by its members. Members pay monthly premiums to the Cooperative based on each member's individual rating. The Cooperative issues payments to the third-party administrator for accrual insurance claims processed, stop-loss premiums, and administrative charges.

B. Reinsurance

The Cooperative uses reinsurance agreements (stop-loss coverage) to reduce its exposure to large losses that may be incurred on medical claims. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Cooperative as direct insurer of the risks reinsured. The Cooperative does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of June 30, 2023 for reinsurance was \$284,490.

C. Unpaid Claims Liabilities

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*", an actuarial valuation of the health care plan is prepared annually under guidelines set forth in Actuarial Standard of Practice No. 5, Incurred Health Claims Liabilities (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to establish a reserve liability that includes a provision for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The method of assumptions utilized for measuring the actuarial liability are critical to the determination as to whether reserve funds are adequate. The following represents changes in the unpaid claims liability for the fiscal year (a comparative schedule will be presented in future years when prior year information is available):

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A summary of the changes in the claims liability for the fiscal years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Claims Liability at July 1	\$ 8,564,575	\$ 9,583,468
Incurred Claims	68,905,571	65,653,512
Claims Paid	(68,872,195)	(66,672,405)
Claims Liability at June 30	\$ 8,597,951	\$ 8,564,575

NOTE 5 – CHANGE IN BASIS OF ACCOUNTING

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2023, the Cooperative has implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 93, paragraphs 13 and 14, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 93, paragraphs 13 and 14, provide an exception to the lease modifications guidance in GASB Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The implementation of GASB Statement No. 93 paragraphs 13 and 14, did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 94 improves financial reporting by establishing the definitions of public-private and public-public partnership arrangements and availability payment arrangements as well as provides uniform guidance on accounting and financial reporting for transactions that meet the definitions. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 96 improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement also enhances the relevance and reliability of the financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and discloses essential information about the arrangement. The note disclosures also allow the users to understand the scale and important aspects of the SBITA activities and evaluate the obligations and assets resulting from the SBITAs. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Cooperative.

Ohio School Benefits Cooperative
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Notes to the Basic Financial Statements
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GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the Cooperative.

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REQUIRED SUPPLEMENTARY INFORMATION

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Cooperative's earned revenue and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Cooperative 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 earned premiums and investment revenues.

- (2) This line shows each fiscal year's other operating costs of the Cooperative including overhead and claims expense not allocable to individual claims.

- (3) This line shows the Cooperative's incurred claims (both paid and accrued) as originally reported at the end of the first fiscal year in which the event that triggered coverage under the contract occurred (called *accident year*).

- (4) This section shows the cumulative amount paid as of the end of successive years for each accident year.

- (5) This section shows how each accident year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.

- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost 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 incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

Loss development information is provided on the next page. Claims information prior to fiscal year 2019 was unavailable.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

LOSS DEVELOPMENT INFORMATION
LAST FIVE FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
1. Earned premiums and investment revenues	79,066,050	72,505,535	82,730,568	81,810,672	77,882,874
2. Unallocated expenses	12,455,471	11,774,921	11,512,024	11,622,540	11,549,746
3. Estimated incurred claims and expenses, end of accident year	78,630,611	67,587,186	76,793,015	67,214,107	66,696,685
4. Paid, cumulative as of:					
End of accident year	71,976,915	60,098,328	68,417,625	61,082,632	61,896,512
One year later	-	67,911,445	76,336,951	67,434,254	68,326,583
Two years later	-	-	76,293,989	67,528,911	68,344,061
Three years later	-	-	-	67,532,385	68,382,288
Four years later	-	-	-	-	68,381,465
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
5. Re-estimated incurred claims and expenses:					
End of accident year	78,630,611	67,587,186	76,793,015	67,214,107	61,896,512
One year later	-	67,911,445	76,336,951	67,434,254	68,326,583
Two years later	-	-	76,293,989	67,528,911	68,344,061
Three years later	-	-	-	67,532,385	68,382,288
Four years later	-	-	-	-	68,381,465
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
6. Increase (decrease) in estimated incurred claims and expenses from end of accident year	-	-	(456,064)	314,804	1,685,603

Loss development information prior to fiscal year 2019 not available.

INDEPENDENT AUDITOR’S 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*

To the Board of Directors
Ohio School Benefits Cooperative
Muskingum County, Ohio
205 N. 7th Street
Zanesville, Ohio 43701

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 (*Government Auditing Standards*), the financial statements of Ohio School Benefits Cooperative, Muskingum County, Ohio (the Cooperative), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated December 18, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
December 18, 2023

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OHIO AUDITOR OF STATE KEITH FABER



OHIO SCHOOL BENEFITS COOPERATIVE

MUSKINGUM 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 2/13/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov