

***TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM***

TRUMBULL COUNTY, OHIO

Regular Audit

For the Year Ended June 30, 2023





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Columbus, Ohio 43215
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(800) 282-0370

Members of the Assembly
Trumbull County Schools Employee Insurance Benefit Consortium
6000 Youngstown-Warren Road
Niles, Ohio 44446

We have reviewed the *Independent Auditor's Report* of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, prepared by Charles E. Harris & 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 Trumbull County Schools Employee Insurance Benefit Consortium is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

December 21, 2023

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**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
REGULAR AUDIT
For the Year Ended June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

Trumbull County Schools Employee Insurance Benefit Consortium
Trumbull County
6000 Youngstown-Warren Road
Niles, Ohio 44446-4603

To the Members of the Assembly and Insurance Committee:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, Ohio (the Consortium), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium'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 Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, Ohio as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Consortium, 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 Consortium'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 Consortium'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 Consortium'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 the Ten-Year Loss Development Information Schedule, listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, 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. 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 Consortium's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
October 12, 2023

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**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

The management's discussion and analysis of the Trumbull County Schools Employee Insurance Benefit Consortium (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Consortium'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 Consortium's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- In total, net position was (\$1,160,957) at June 30, 2023. This represents a decrease of \$4,191,075, or 138.31%, from June 30, 2022's net position.
- The Consortium had operating revenues of \$29,937,546 and operating expenses of \$34,143,395 for fiscal year 2023. The Consortium had \$27,046 in interest revenue earned on the Consortium's investments and (\$12,272) in change in fair value on investments. The operating loss and the decrease in net position for the fiscal year was \$4,205,849 and \$4,191,075, respectively.

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 Consortium'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 Consortium, 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 Consortium.

Reporting the Consortium 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 Consortium's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 9-10 of this report.

The statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

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. These notes to the basic financial statements can be found on pages 13-19 of this report.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

Required Supplementary Information

Ten years of loss development information can be found on pages 23-25 of this report.

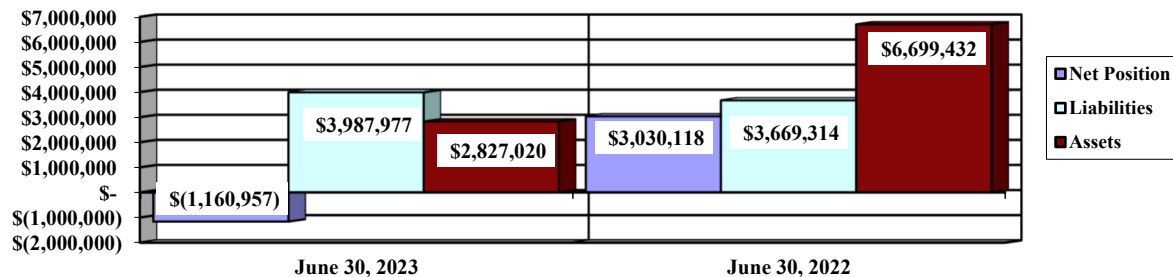
Net Position and Changes in Net Position

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

	Net Position	
	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents with fiscal agent	\$ 2,406,961	\$ 3,629,615
Investments with fiscal agent	410,466	3,056,913
Receivables (net of allowance for uncollectibles):		
Accrued interest	1,654	5,987
Prepayments	<u>7,939</u>	<u>6,917</u>
Total assets	<u>2,827,020</u>	<u>6,699,432</u>
<u>Liabilities:</u>		
Accounts payable	22,079	6,270
Claims payable	2,170,092	2,098,365
Unearned revenue	<u>1,795,806</u>	<u>1,564,679</u>
Total liabilities	<u>3,987,977</u>	<u>3,669,314</u>
<u>Net Position:</u>		
Unrestricted (deficit)	<u>(1,160,957)</u>	<u>3,030,118</u>
Total net position	<u>\$ (1,160,957)</u>	<u>\$ 3,030,118</u>

The assets of the Consortium are comprised mainly of cash and cash equivalents and investments that are held with the Consortium's fiscal agent, the Trumbull County Educational Service Center. Liabilities of the Consortium are mainly claims payable related to medical, prescription, dental and vision incurred but not reported (IBNR) claims outstanding at fiscal year-end and unearned revenue.

The chart below shows a breakdown of the Consortium's assets, liabilities and net position at June 30, 2023 and June 30, 2022.



**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

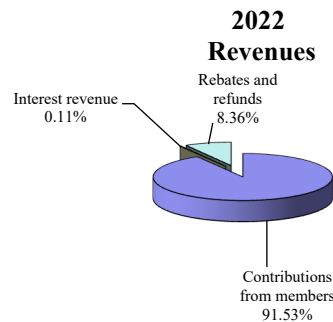
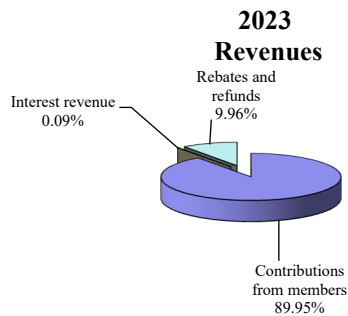
The table below shows the changes in net position for fiscal year 2023 and 2022.

Change in Net Position

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Contributions from members	\$ 26,952,348	\$ 24,673,904
Rebates and refunds	<u>2,985,198</u>	<u>2,254,640</u>
Total operating revenue	<u>29,937,546</u>	<u>26,928,544</u>
<u>Operating Expenses:</u>		
Claims	31,338,684	27,649,607
Premiums	2,479,767	2,134,521
Administrative fees	248,274	103,134
Professional fees	13,027	15,334
Other	<u>63,643</u>	<u>83,242</u>
Total operating expenses	<u>34,143,395</u>	<u>29,985,838</u>
Operating loss	<u>(4,205,849)</u>	<u>(3,057,294)</u>
<u>Nonoperating revenues:</u>		
Interest revenue	27,046	28,863
Change in fair value of investments	<u>(12,272)</u>	<u>(132,895)</u>
Total nonoperating revenues	<u>14,774</u>	<u>(104,032)</u>
Change in net position	<u>(4,191,075)</u>	<u>(3,161,326)</u>
Net position, July 1	<u>3,030,118</u>	<u>6,191,444</u>
Net position, June 30	<u>\$ (1,160,957)</u>	<u>\$ 3,030,118</u>

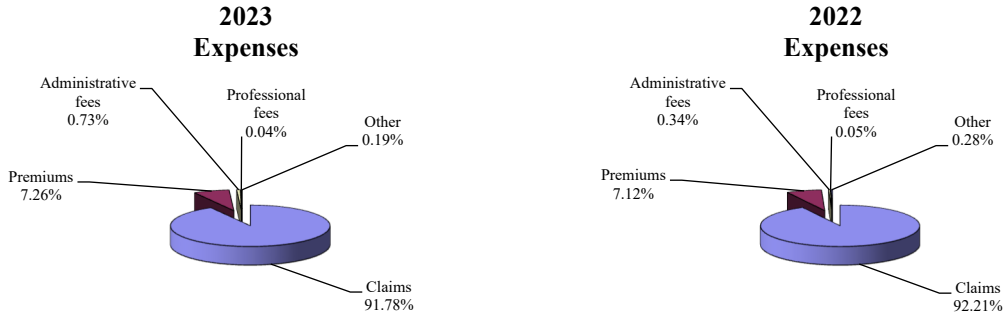
During fiscal year 2023, the Consortium's net position decreased by \$4,191,075. The Consortium claims expense related to medical, Rx, dental and vision increased \$3,689,077 or 13.34% compared to fiscal year 2022. Contributions increased \$2,278,444 or 9.23%. The Consortium also received rebates and refunds of \$2,985,198 which was an increase of \$730,558 compared to fiscal year 2022. For fiscal year 2024, the Consortium has increased premiums by 15% to combat rising claims and to clear the negative net position.

The charts below reflect the percentage of the revenues and expenses in fiscal year 2023 and 2022.



**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**



Current Financial Related Activities

The Consortium is a not-for-profit insurance consortium owned and operated by 18 school districts and 1 Information Technology Center (ITC) in Trumbull County, Ohio. The Consortium’s main source of operating cash receipts is premiums paid by the member school districts. The Consortium also receives interest receipts through investments.

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

The Consortium requires its members to participate in the medical/prescription insurance program, with individual district/ITC choice as to participation in the dental, vision, and life programs. The Consortium Board and its consultant, CBIZ, Inc., continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for Consortium members.

Establishing premiums that satisfy all claims, administration fees, and other disbursements of the Consortium, in addition to enhancing the net cash position is important for the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium Board is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the participating districts together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 1,700 covered employees, in lieu of each individual district/ITC independently entering the insurance marketplace. As the claims costs for medical and prescription drug continue to escalate, the Board is faced with the unenviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio’s public school districts. This is much the same as the dilemma facing American businesses today, and is complicated by the fact that each member school district/ITC in the Consortium must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Consortium and its Board, and the future looks better from the collective, as opposed to individual, view of the 18 participating districts and 1 ITC. The Consortium has received prescription drug rebates through its relationship with Employer’s Health Group and CVS/Caremark.

Contacting the Consortium’s Financial Management

This financial report is designed to provide our member districts, citizens and other interested parties with a general overview of the Consortium’s finances and to show the Consortium’s accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Stacy Foster, Treasurer, Trumbull County Schools Employee Insurance Benefit Consortium, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2023

Assets:	
Cash and cash equivalents with fiscal agent	\$ 2,406,961
Investments with fiscal agent	410,466
Receivables:	
Accrued interest	1,654
Prepayments	7,939
Total assets	<u>2,827,020</u>
Liabilities:	
Accounts payable	22,079
Claims payable	2,170,092
Unearned revenue	1,795,806
Total liabilities	<u>3,987,977</u>
Net position:	
Unrestricted (deficit)	<u>(1,160,957)</u>
Total net position	<u>\$ (1,160,957)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating revenues:	
Contributions from members	\$ 26,952,348
Rebates and refunds	2,985,198
Total operating revenues	<u>29,937,546</u>
 Operating expenses:	
Claims	31,338,684
Premiums	2,479,767
Administrative fees	248,274
Professional fees	13,027
Other	63,643
Total operating expenses	<u>34,143,395</u>
 Operating loss	 <u>(4,205,849)</u>
 Non-operating revenues:	
Interest revenue	27,046
Change in fair value of investments	(12,272)
Total nonoperating revenues	<u>14,774</u>
 Change in net position	 (4,191,075)
 Net position at beginning of year	 <u>3,030,118</u>
Net position at end of year	<u>\$ (1,160,957)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from members	\$ 27,183,475
Cash received from rebates and refunds	2,985,198
Cash payments for claims	(31,266,957)
Cash payments for premiums	(2,480,789)
Cash payments for administrative fees	(232,465)
Cash payments for professional fees	(13,027)
Cash payments for other expenses	(63,643)
	(3,888,208)
Net cash used in operating activities	
	(3,888,208)
Cash flows from investing activities:	
Interest received	31,379
Cash received from the maturity of investments	2,634,175
	2,665,554
Net cash provided by investing activities	
	2,665,554
Net change in cash and cash cash equivalents with fiscal agent	(1,222,654)
Cash and cash equivalents with fiscal agent at beginning of year	3,629,615
Cash and cash equivalents with fiscal agent at end of year	\$ 2,406,961
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,205,849)
Changes in assets and liabilities:	
Prepayments	(1,022)
Accounts payable	15,809
Claims payable	71,727
Unearned revenue	231,127
	231,127
Net cash used in operating activities	\$ (3,888,208)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

The Trumbull County Schools Employee Insurance Consortium, Trumbull County, (the “Consortium”) is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Council of Governments (the “Consortium”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

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

The Governing Body of the Consortium is an Assembly composed of the Superintendents of the members and any other representative of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of June 30, 2023, there were 19 participating members of the Consortium. The Insurance Committee (Executive Board) shall function as the advisory body to the Assembly. It shall consist of five representatives of the members, four of whom shall be appointed by the President of the Trumbull County Superintendent’s Association, and the fifth of whom shall be the Superintendent of the Fiscal Agent. The Trumbull County Educational Service Center shall serve as the Consortium’s fiscal agent and the Treasurer of the Consortium shall be the Treasurer of the Fiscal Agent. The Consortium administers medical, prescription, dental, and vision benefit plans for employees of the participating school systems and their eligible dependents.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Fund Accounting

The Consortium maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

C. Basis of Accounting/Measurement Focus

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

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

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

The Consortium distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants contributions for insurance coverage and stop loss insurance premiums and stop loss insurance reimbursements. Operating expenses for the Consortium include the payment of claims, premiums, administrative fees and professional fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

The Consortium's Fiscal Agent maintains the Consortium financial activity under a specific fund designated for Consortium activity. The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2023, the Trumbull County Educational Service Center served as Fiscal Agent for the Consortium.

The Treasurer of the Consortium, who also serves as Treasurer of the Fiscal Agent (the Trumbull County Educational Service Center) has established separate depository accounts for Consortium activities and purchases specific investments for the Consortium. The interest earnings on these Consortium accounts are distributed to the Consortium.

During fiscal year 2023, the Consortium's cash was maintained in demand deposit accounts.

During fiscal year 2023, investments were limited to Federal Home Loan Bank (FHLB) securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

For purposes of the statement of net position and the statement of cash flows, investments purchased by the Fiscal Agent for the Consortium with original maturities of three months or less at the time they are purchased are considered to be "cash equivalents". Investments purchased by the Fiscal Agent for the Consortium with original maturities of more than three months at the time they are purchased are considered to be "investments". An analysis of the Consortium's cash and investments with its Fiscal Agent at fiscal year-end is provided in Note 4.

E. Budgetary Process

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

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

F. Estimates

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

G. Fair Value Measurements

The Consortium 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.

H. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2023, the Consortium has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Consortium.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Consortium.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve 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 GASB Statement No. 99 did not have an effect on the financial statements of the Consortium.

NOTE 4 - CASH AND INVESTMENTS WITH FISCAL AGENT

The Treasurer of the Consortium, who also serves as Treasurer of the Fiscal Agent, maintains a specific depository account and purchases specific investments for the Consortium. The deposit and investment of Consortium monies follows the investment policy of the ESC. The following disclosures are required by GASB Statement No. 40, “Deposits and Investment Risk Disclosures”.

State statutes allow the ESC as Fiscal Agent for the Consortium to deposit or invest the Consortium’s monies in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that 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 that 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;

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TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time.

Protection of the 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.

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 Consortium, 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.

As Fiscal Agent, the ESC maintains separate depository accounts and separate investment accounts for monies specific to the Consortium. The amounts held in the depository accounts and the investment accounts at fiscal year year-end are described below.

A. Deposits with Fiscal Agent held in Financial Institutions

At June 30, 2023, the carrying amount of all Consortium deposits and bank balance of the Consortium deposits was \$2,406,961. Of the bank balance, \$250,000 was covered by the FDIC and \$2,156,961 was covered by OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

B. Investments

As of June 30, 2023, the Consortium had the following investments and maturities:

<u>Measurement/Investment Type:</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>	
		<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Fair value:			
FHLB	\$ 410,466	\$ 46,727	\$ 363,739
Total	<u>\$ 410,466</u>	<u>\$ 46,727</u>	<u>\$ 363,739</u>

The weighted average of maturity of investments is 2.17 years.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

The Consortium's investments in federal agency securities 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).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Consortium's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Consortium's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Consortium's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Consortium's name. The Consortium has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at June 30, 2023:

<u>Measurement/Investment Type:</u>	Measurement	
	<u>Value</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 410,466	100.00
Total	<u>\$ 410,466</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments with Fiscal Agent to the Statement of Net Position

The following is a reconciliation of cash and investments with Fiscal Agent as reported in the note above to cash and investments with Fiscal Agent as reported on the statement of net position as of June 30, 2023:

<u>Cash and investments with Fiscal Agent per note</u>	
Carrying amount of deposits with Fiscal Agent	\$ 2,406,961
Investments with Fiscal Agent	<u>410,466</u>
Total	<u>\$ 2,817,427</u>
 <u>Cash and investments with Fiscal Agent per financial statements</u>	
Cash and cash equivalents with Fiscal Agent	\$ 2,406,961
Investments with Fiscal Agent	<u>410,466</u>
Total	<u>\$ 2,817,427</u>

NOTE 5 - CONTRACTED SERVICES

For fiscal year 2023, the Consortium contracts with CBIZ, Inc. to assist them with the annual renewals of its health and welfare plans. CBIZ, Inc. also helps the Consortium and its members with maintaining the current plan of benefits including design, claim adjudication, customer service, billing and compliance issues. In addition, they review alternative plan design and determine that claims are paid in accordance to specifications of the plan.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 - RISK MANAGEMENT

The Consortium contracts with third party administrators, Medical Mutual of Ohio, Anthem, Caremark RX and Delta Dental of Ohio, to process and pay health claims, prescriptions, dental and vision claims respectively incurred by its members. Members pay monthly premiums to the Consortium based upon an annual estimate determined by the Executive Board. The Treasurer issues payments to the third party administrators for actual insurance claims processed, stop-loss premiums, and administrative charges.

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

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

The claims liability of \$2,170,092 reported at June 30, 2023, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the fiscal year ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Claims payable at beginning of fiscal year	\$ 2,098,365	\$ 1,990,655
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	29,902,856	26,582,734
Increase in claims expenses for insured events of the prior years	<u>1,435,828</u>	<u>1,066,873</u>
Total claims expenses	<u>31,338,684</u>	<u>27,649,607</u>
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	29,831,129	26,475,024
Claims expenses paid attributable to insured events of prior years	<u>1,435,828</u>	<u>1,066,873</u>
Total claims payments	<u>31,266,957</u>	<u>27,541,897</u>
Claims payable at end of fiscal year	<u>\$ 2,170,092</u>	<u>\$ 2,098,365</u>

NOTE 7 - LITIGATION

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

NOTE 8 - RECEIVABLES

At June 30, 2023, the Consortium had \$1,654 in accrued interest receivable due for fiscal year 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

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**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
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TEN-YEAR LOSS DEVELOPMENT INFORMATION

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

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

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the fiscal years ended June 30, 2014 through 2023 is provided on the next page. The Consortium began reporting on the accrual basis of accounting in fiscal year 2017. Information provided for fiscal year 2014-2016 is on a cash-basis of accounting.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
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TEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2014 (1)</u>	<u>2015 (1)</u>	<u>2016 (1)</u>	<u>2017</u>	<u>2018</u>
1. Premiums and investment income	\$ 21,041,865	\$ 19,468,381	\$ 21,645,464	\$ 22,524,746	\$ 24,618,182
2. Unallocated expenses	1,287,406	1,652,464	1,717,171	1,839,172	1,545,613
3. Estimated losses incurred and expense, end of year	n/a	n/a	n/a	20,874,961	24,365,057
4. Paid, cumulative as of:					
End of accident year	16,038,724	18,698,148	18,981,881	20,887,361	24,490,457
One year later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Two years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Three years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Four years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Five years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Six years later	17,327,458	20,827,038	20,707,560	22,526,173	-
Seven years later	17,327,458	20,827,038	20,707,560	-	-
Eight years later	17,327,458	20,827,038	-	-	-
Nine years later	17,327,458	-	-	-	-
5. Re-estimated incurred losses and expense:					
End of accident year	16,038,724	18,698,148	18,981,881	20,874,961	24,365,057
One year later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Two years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Three years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Four years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Five years later	17,327,458	20,827,038	20,707,560	22,526,173	26,039,196
Six years later	17,327,458	20,827,038	20,707,560	22,526,173	-
Seven years later	17,327,458	20,827,038	20,707,560	-	-
Eight years later	17,327,458	20,827,038	-	-	-
Nine years later	17,327,458	-	-	-	-
6. Increase in estimated incurred losses and expenses from end of accident year	n/a	n/a	1,725,679	1,651,212	1,674,139

(1) Information presented on the cash-basis of accounting.
n/a - information not available.

2019	2020	2021	2022	2023
\$ 27,281,187	\$ 26,100,052	\$ 24,881,737	\$ 24,702,767	\$ 26,979,394
1,845,907	1,898,277	1,966,474	2,336,231	2,804,711
24,109,108	21,919,943	23,090,271	26,582,734	29,902,856
24,076,033	22,171,405	22,835,329	26,475,024	29,831,129
25,066,144	23,457,555	23,902,202	27,910,852	-
25,066,144	23,457,555	23,902,202	-	-
25,066,144	23,457,555	-	-	-
25,066,144	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
24,109,108	21,919,943	23,090,271	26,582,734	29,902,856
25,815,411	23,206,093	24,157,144	28,018,562	-
25,815,411	23,206,093	24,157,144	-	-
25,815,411	23,206,093	-	-	-
25,815,411	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,706,303	1,286,150	1,066,873	1,435,828	-

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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

Trumbull County Schools Employee Insurance Benefit Consortium
Trumbull County
6000 Youngstown-Warren Road
Niles, Ohio 44446-4603

To the Members of the Assembly and Insurance Committee:

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 statements of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, Ohio (the Consortium), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated October 12, 2023.

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.

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 Consortium's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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



Charles E. Harris & Associates, Inc.
October 12, 2023

OHIO AUDITOR OF STATE KEITH FABER



TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM

TRUMBULL 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 1/2/2024

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