

**CLERMONT COUNTY
INSURANCE CONSORTIUM**
CLERMONT COUNTY, OHIO

**REGULAR AUDIT
FINAL AUDIT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARepor@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Clermont County Insurance Consortium, Clermont County, prepared by Julian & Grube, Inc., for the audit period July 1, 2020 through June 30, 2021. 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 Clermont County Insurance Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 09, 2021

This page intentionally left blank.

**CLERMONT COUNTY INSURANCE CONSORTIUM
CLERMONT COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Financial Statement:	
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balance.....	3
Notes to the Financial Statement	4 - 6
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 <i>Government Auditing Standards</i>	7 - 8
Schedule of Findings and Responses.....	9
Summary Schedule of Prior Audit Findings	10

This page intentionally left blank.

Independent Auditor's Report

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

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balance, receipts, and disbursements and the related notes of the Clermont County Insurance Consortium, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2021.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Clermont County Insurance Consortium's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clermont County Insurance Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Adverse Opinion

As described in Note 1, the financial statement is prepared by the Clermont County Insurance Consortium, using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires this statement to follow accounting principles generally accepted in the United States of America.

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Clermont County Insurance Consortium, as of June 30, 2021, or change in net position, or cash flows thereof for the fiscal year then ended.

Emphasis of Matter

As described in Note 5 to the financial statement, the Board of Directors approved to close the Consortium's financial account. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of the Clermont County Insurance Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Clermont County Insurance 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 Clermont County Insurance Consortium's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 5, 2021

Clermont County Insurance Consortium
Clermont County
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balance
For the Fiscal Year Ended June 30, 2021

<hr/>	
<i>Operating Cash Receipts:</i>	
Flexible Spending	\$ 200,853
Miscellaneous	12,029
	<hr/>
<i>Total Operating Cash Receipts</i>	212,882
	<hr/>
<i>Operating Cash Disbursements:</i>	
Flexible Spending Claims	173,507
Administrative Fees	11,276
Other Purchased Services	5,496
	<hr/>
<i>Total Operating Cash Disbursements</i>	190,279
	<hr/>
<i>Operating Cash Receipts Over Operating Cash Disbursements</i>	22,603
	<hr/>
<i>Non-Operating Cash Receipts:</i>	
Interest	416
	<hr/>
<i>Total Non-Operating Cash Receipts</i>	416
	<hr/>
<i>Income before Special Item</i>	23,019
	<hr/>
Special Item - closeout (see Note 5)	(370,911)
	<hr/>
<i>Net Receipts Over/(Under) Disbursements</i>	(347,892)
	<hr/>
<i>Cash Balance, July 1</i>	347,892
	<hr/>
<i>Cash Balance, June 30</i>	\$ -
	<hr/> <hr/>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Clermont County Insurance Consortium, Clermont County, Ohio (the Consortium), formed July 1, 2008, is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Consortium Members that their agreements shall comply with section 9.833 of the Ohio Revised Code. The Consortium is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Consortium.

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

The Consortium utilized the Clermont County Educational Service Center as its fiscal agent. The financial activity for the Consortium is reflected as a custodial fund of the fiscal agent. Clermont County Educational Service Center is located at 2400 Clermont Center Drive Suite 100 Batavia, OH 45103.

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

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

On January 1, 2017, Clermont County Insurance Consortium joined the Southwestern Ohio Educational Purchase Council (EPC) for Health, Dental, Vision, and Life insurances. The Clermont County Insurance Consortium was no longer self-funded as of January 1, 2017. The Consortium incurred run out claims through December 31, 2017. The Southwestern Ohio Educational Purchasing Council (EPC) is a council of governments with over 40 years of service experience, pooling the purchase power of 180 Ohio School Districts. All insurances operate as if they are a fully insured plan where districts pay an annual premium (as determined by EPC) for their coverages. Districts pay monthly premiums directly to EPC.

The consortium used Chard Snyder for administering their section 125 plan where the funds flowed through the Consortium account until December 31, 2020. Starting January 1, 2021 the Consortium changed to American Fidelity and consortium members send their section 125 plan funds directly to American Fidelity where they administer employee accounts. Since making this change there was no activity in the Consortium fund other than monthly bank fees.

At the Board of Directors meeting on April 15, 2021, the Board agreed to disperse the remaining cash balance back to the member districts. In May and June 2021 an equitable distribution was made to the consortium members and the Consortium account was closed in June 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

Although required by OAC 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the Consortium chooses to prepare its financial statement on the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP. This is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

C. Cash and Investments

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

D. Budgetary Process

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

E. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the Consortium, these cash receipts are charges for insurance services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. Receipts and Disbursements not meeting these definitions are reported as non-operating.

F. Special Item

Special items are transactions or events that are within the control of the Consortium and that are either unusual in nature or infrequent in occurrence. For fiscal year 2021, the Consortium is reporting a special item related to the close out of the Consortium's financial account. See Note 5 for details.

2. CASH AND INVESTMENTS

The Service Center is the fiscal agent for the Consortium. The Service Center maintains deposits and specific investments for the Consortium. The Ohio Revised Code prescribes allowable deposits and investments. The Service Center held no deposits nor investments on behalf of the Consortium at June 30, 2021 as the Consortium closed all accounts by June 2021.

3. RISK MANAGEMENT

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

3. RISK MANAGEMENT (continued)

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

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

4. NONCOMPLIANCE

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the Consortium chooses to prepare its financial statement and notes using accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. This is not in compliance with Ohio law.

5. CLOSURE

On June 17, 2021, the Board of Directors approved to close the Consortium's financial account. Any outstanding fees related to the Consortium will be paid by the Clermont County Educational Service Center, the Consortium's fiscal agent. Outstanding fees include audit fees, not expected to exceed an estimated \$3,000.

The Consortium reported a special item of \$370,911 on the Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balance, directly related to the closure. Of the \$370,911 reported, \$370,870 was distributed back to the member districts and \$41 was transferred to the Consortium's fiscal agent.

The Consortium had no inventory or assets to disburse when closed.

**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***

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the cash balance, receipts, and disbursements of the Clermont County Insurance Consortium, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statement, and have issued our report thereon dated October 5, 2021, wherein we issued an adverse opinion on the Clermont County Insurance Consortium's financial statement because the Clermont County Insurance Consortium did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03. Also, we noted as described in Note 5 to the financial statement, the Board of Directors approved to close the Consortium's financial account.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Clermont County Insurance Consortium'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Clermont County Insurance Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clermont County Insurance 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 Clermont County Insurance Consortium's financial statement 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-002 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clermont County Insurance Consortium's financial statement is 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 statement. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-001.

Clermont County Insurance Consortium's Responses to Findings

The Clermont County Insurance Consortium's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Clermont County Insurance Consortium's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 Clermont County Insurance 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 Clermont County Insurance Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
October 5, 2021

**CLERMONT COUNTY INSURANCE CONSORTIUM
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2021-001

Noncompliance

Ohio Administrative Code Section 117-2-03(B) requires the Consortium to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Consortium chose to prepare its financial report on the basis of accounting permitted by the financial reporting provision of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than GAAP.

Failure to prepare a proper GAAP financial report may result in the Consortium being fined or other administrative remedies.

We recommend the Consortium file on the GAAP basis of accounting in order to comply with the Ohio Administrative Code.

Client Response: Due to the limited amount of transactions for the Consortium, it is not reasonable to file on a GAAP basis.

Finding Number	2021-002
----------------	----------

Significant Deficiency – Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Board of Directors with objective and timely information to enable well-informed decisions.

The following adjustment was made to properly state the financial statement and notes:

- Disbursements of \$370,911 related to the closing of the Consortium were reallocated from Operating Cash Disbursements to Special Item.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Consortium's activity.

We recommend the Consortium consider special items should there be any financial reporting required in the future, if conditions would change.

Client Response: The Consortium will consider this in the future, if necessary.

**CLERMONT COUNTY INSURANCE CONSORTIUM
CLERMONT COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2020-001	2017	<u>Noncompliance</u> - Ohio Admin. Code § 117-2-03(B) requires the Consortium to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Consortium prepares its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.	Not Corrected	Repeated as finding 2021-001 as the Consortium prepared its financial statement on a cash basis.

OHIO AUDITOR OF STATE KEITH FABER



CLERMONT COUNTY INSURANCE CONSORTIUM

CLERMONT 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 11/23/2021

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