

***NORTH CENTRAL OHIO TRUST REGIONAL
COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM***

SENECA COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2020



OHIO AUDITOR OF STATE
KEITH FABER



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

Members of the Board
North Central Ohio Trust Regional Council of Governments
928 W. Market St
Tiffin, OH 44883

We have reviewed the *Independent Auditor's Report* of the North Central Ohio Trust Regional Council of Governments, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. 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 North Central Ohio Trust Regional Council of Governments 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

February 12, 2021

This page intentionally left blank.

NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY
REGULAR AUDIT
For the Year Ending June 30, 2020

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements.....	11
Required Supplementary Information:	
Seven-Year Loss Development Information.....	21
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>.....	25

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

North Central Ohio Trust Regional Council of Governments
Joint Self-Insurance Health Program
Seneca County
928 W Market Street
Tiffin, Ohio 44883

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio (the Consortium), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Consortium's preparation and fair presentation of the financial statements 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, 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 statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio, as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the Consortium. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Seven-Year Loss Development Information Schedule (the Schedule) on pages 3–6 and 21–23, respectively, be presented to supplement the basic financial statements. Such information, 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 December 7, 2020, on our consideration of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio'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 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.

December 7, 2020

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The management's discussion and analysis of the North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2020. 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 2020 are as follows:

- In total, net position was \$350,692 at June 30, 2020. This represents a decrease of \$514,938, or 59.49%, from June 30, 2019's net position.
- The Consortium had operating revenues of \$10,520,982 and operating expenses of \$11,043,645 for fiscal year 2020. The Consortium had \$7,725 in interest revenue earned on the Consortium's investments. Operating loss and the decrease in net position for the fiscal year was \$522,663 and \$514,938, 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 2020?" 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 7-8 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 9 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 11-17 of this report.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Required Supplementary Information

Seven years of loss development information can be found on pages 21-23 of this report.

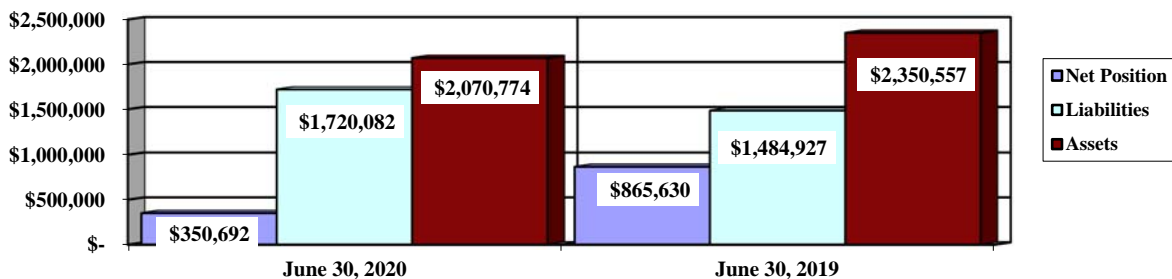
Net Position and Changes in Net Position

The table below provides a summary of the Consortium's net position for at June 30, 2020 and June 30, 2019.

	2020	2019
<u>Assets</u>		
Cash and cash equivalents with fiscal agent	\$ 1,221,181	\$ 2,070,277
Receivables (net of allowance for uncollectibles):		
Stop loss reimbursements	529,271	62,566
Rebates and refunds	117,230	100,543
Prepayments	203,092	117,171
Total assets	2,070,774	2,350,557
<u>Liabilities:</u>		
Accounts payable	25,464	192,357
Intergovernmental payable	2,856	2,744
Claims payable	1,037,864	993,499
Unearned revenue	653,898	296,327
Total liabilities	1,720,082	1,484,927
<u>Net Position:</u>		
Unrestricted	350,692	865,630
Total net position	\$ 350,692	\$ 865,630

The assets of the Consortium are comprised mainly of cash and cash equivalents that are held with the Consortium's fiscal agent, the North Central Ohio Educational Service Center. Liabilities of the Consortium are mainly claims payable related to medical, prescription and vision incurred but not reported (IBNR) claims outstanding at fiscal year-end and unearned revenue for member premiums received early.

The chart below shows a breakdown of the Consortiums assets, liabilities and net position at June 30, 2020 and June 30, 2019.



**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

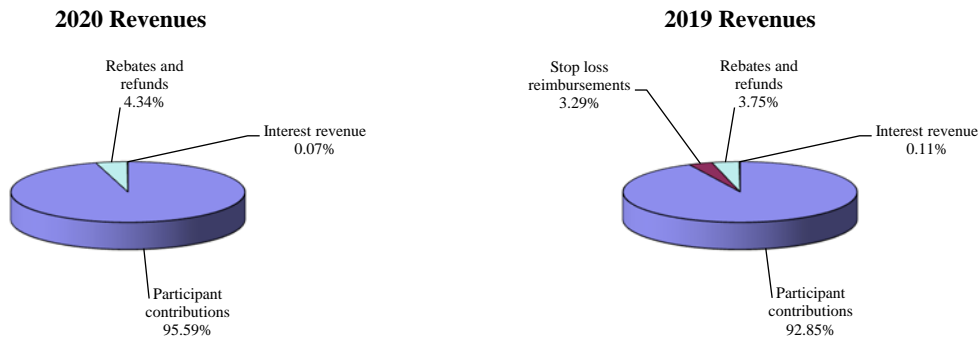
The table below shows the changes in net position for fiscal year 2020 and 2019.

Change in Net Position

	<u>2020</u>	<u>2019</u>
<u>Operating Revenues:</u>		
Participant contributions	\$ 10,063,549	\$ 9,551,139
Stop loss reimbursements	-	338,140
Rebates and refunds	<u>457,433</u>	<u>385,435</u>
Total operating revenue	<u>10,520,982</u>	<u>10,274,714</u>
<u>Operating Expenses:</u>		
Claims	8,658,842	8,298,580
Life insurance premiums	99,045	87,898
Carrier stop loss premiums	985,071	1,147,139
Purchased services	1,293,633	1,146,310
Other	<u>7,054</u>	<u>16,221</u>
Total operating expenses	<u>11,043,645</u>	<u>10,696,148</u>
Operating loss	<u>(522,663)</u>	<u>(421,434)</u>
<u>Nonoperating revenues:</u>		
Interest revenue	<u>7,725</u>	<u>11,626</u>
Total nonoperating revenues	<u>7,725</u>	<u>11,626</u>
Change in net position	<u>(514,938)</u>	<u>(409,808)</u>
Net position, July 1	<u>865,630</u>	<u>1,275,438</u>
Net position, June 30	<u>\$ 350,692</u>	<u>\$ 865,630</u>

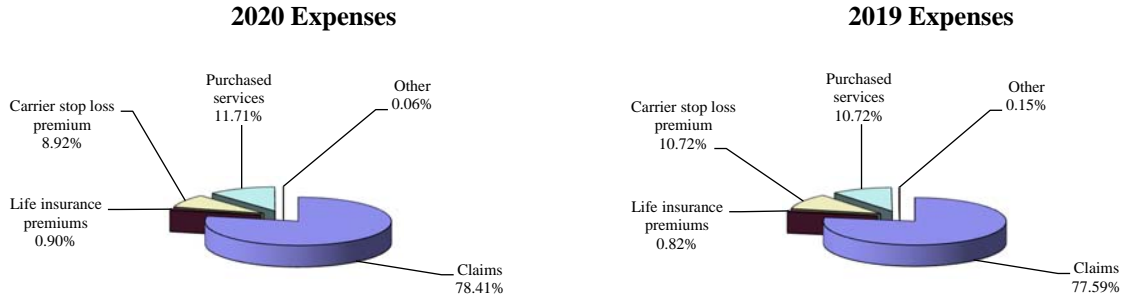
Operating revenues of the Consortium increased \$246,268 or 2.40%. This increase was the result of an increase in premiums charged to members to help offset rising health care costs. Operating expenses of the Consortium increased \$347,497 or 3.25%. This increase is primarily due to an increase in claims expenses that resulted from increases in medical, prescription and vision costs. Purchased services increased due to an increase in administrative fees.

The charts below reflect the percentage of the revenues and expenses in fiscal year 2020 and 2019.



**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**



Current Financial Related Activities

The Consortium is comprised of five members for fiscal year 2020: Mohawk Local School District, Old Fort Local School District, Seneca East Local School District, Tiffin City School District and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center currently serves as the Fiscal Agent of the Consortium.

The most significant challenge facing the Consortium’s members and Assembly is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These services led to the members joining together to form the Consortium in hopes of benefiting from economies of scale by pooling their assets to obtain lower rates. The Assembly will continue to monitor rising costs and will adjust the premiums charged to the members in future years to offset these costs.

Contacting the Consortium’s Financial Management

This financial report is designed to provide our member school districts, potential member school districts and investors and creditors 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. Lynette Cameron, Treasurer Pro Tem, North Central Ohio Educational Service Center, 928 W. Market Street, Tiffin, Ohio, 44883 or by email at lcameron@ncoesc.org.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
 JOINT SELF-INSURANCE HEALTH PROGRAM
 SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION
 JUNE 30, 2020

Assets:	
Cash and cash equivalents with fiscal agent	\$ 1,221,181
Receivables:	
Stop loss reimbursements.	529,271
Rebates and refunds	117,230
Prepayments	<u>203,092</u>
Total assets.	<u>2,070,774</u>
 Liabilities:	
Accounts payable.	25,464
Intergovernmental payable	2,856
Claims payable	1,037,864
Unearned revenue	<u>653,898</u>
Total liabilities	<u>1,720,082</u>
 Net position:	
Unrestricted.	<u>350,692</u>
Total net position.	<u><u>\$ 350,692</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
 JOINT SELF-INSURANCE HEALTH PROGRAM
 SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating revenues:	
Participant contributions	\$ 10,063,549
Rebates and refunds	457,433
Total operating revenues	<u>10,520,982</u>
 Operating expenses:	
Claims	8,658,842
Life insurance premiums	99,045
Carrier stop loss premiums	985,071
Purchased services.	1,293,633
Other.	7,054
Total operating expenses.	<u>11,043,645</u>
 Operating loss.	 <u>(522,663)</u>
 Non-operating revenues:	
Interest revenue	7,725
Total nonoperating revenues	<u>7,725</u>
 Change in net position	 (514,938)
 Net position at beginning of year	 <u>865,630</u>
Net position at end of year	<u><u>\$ 350,692</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Cash received from participants	\$ 9,954,415
Cash received from rebates and refunds	440,746
Cash payments for claims	(8,614,477)
Cash payments for life insurance premiums	(99,045)
Cash payments for carrier stop loss premiums	(1,209,267)
Cash payments for purchased services	(1,322,139)
Cash payments for other expenses	(7,054)
	<hr/>
Net cash used in operating activities	(856,821)
Cash flows from investing activities:	
Interest received	7,725
	<hr/>
Net cash provided by investing activities	7,725
	<hr/>
Net change in cash and cash cash equivalents with fiscal agent	(849,096)
Cash and cash equivalents with fiscal agent at beginning of year	2,070,277
Cash and cash equivalents with fiscal agent at end of year	<u>\$ 1,221,181</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (522,663)
Changes in assets and liabilities:	
Stop loss premiums receivable	(466,705)
Rebates and refunds receivable	(16,687)
Prepayments	(85,921)
Accounts payable.	(166,893)
Intergovernmental payable	112
Claims payable	44,365
Unearned revenue	357,571
	<hr/>
Net cash used in operating activities	<u>\$ (856,821)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE ENTITY

The North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program (the "Consortium") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Consortium was established on January 1, 2013, and was formed after formerly being a part of the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). The Consortium was formed by the Boards of Education of several school districts in northwest Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, prescription, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The five members of the Consortium at June 30, 2020, were Mohawk Local School District, Old Fort Local School District, Seneca East Local School District, Tiffin City School District and North Central Ohio Educational Service Center.

Some of the more significant provisions of the Consortium are as follows:

A. Assembly

The Assembly shall be the legislative and managerial body of the Consortium. The Assembly shall be composed of the representatives of the Members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. The individual or individuals serving as Treasurer and Recording Secretary of the Consortium and the person, if any, who may be serving as Administrator of the Consortium each shall be ex-officio members of the Assembly and may attend all meetings of the Assembly but shall not count for purposes of determining a quorum and shall not vote.

B. Fiscal Agent

The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2020, the North Central Ohio Educational Service Center (the "ESC") served as Fiscal Agent for the Consortium. The Fiscal Agent shall be selected each Fiscal Year by the Assembly and shall be a Member. The Fiscal Agent shall in turn appoint the Treasurer and Recording Secretary of the Consortium. The Fiscal Agent may appoint one person to serve in both capacities or may select one person for each position. However, the individual appointed as Treasurer must be the fiscal officer of the Member serving as the Fiscal Agent. The Consortium shall pay a reasonable management fee to the Fiscal Agent. The Fiscal Agent will reflect the financial records of the Consortium in its own records. The Member serving as Fiscal Agent shall also obtain additional fidelity bond coverage for the Treasurer in an amount determined by the Assembly and with a surety company approved by the Assembly, unless the Assembly determines that the Treasurer's existing fidelity bond is adequate.

C. Consortium Funds

The Consortium's Funds shall be established and maintained by the Treasurer of the Consortium separate and apart from all other funds which may be under the custody of the Treasurer. A separate fund shall be established for each program of the Consortium. In the event that the Consortium is operating a number of programs, the Consortium shall establish a separate fund (herein referred to as the "Consortium Fund") for the payment of overhead costs of the Consortium not solely attributable to any one program. Those overhead costs may be allocated to the various programs of the Consortium and moneys may be transferred from the various program funds to the Consortium Fund in such manner as may be authorized by the Assembly, consistent with the budget, pursuant to Section 11 of the Bylaws. The Consortium Fund shall be subject to the laws of the State concerning the investment and management of public funds, particularly Revised Code Chapter 135, and shall be the responsibility of the Treasurer.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

C. Estimated Consortium Costs: Payments by Members

Prior to November 30 in the Fiscal Year preceding the Fiscal Year for which the following estimates are made, the Assembly shall: (a) compile and generate a written estimate of the costs of operating the Consortium and its programs for the next Fiscal Year, separately itemized for each program of the Consortium, and (b) provide each Member with an estimate of each Member's share of those costs, separately itemized for each program in which that Member participates. The costs of each program shall be apportioned among the Members participating in the program as provided in the written agreement for each program. Any costs relating to the operation of the Consortium and not included in the program costs shall be apportioned among the Members in the manner determined by the Assembly. The estimates shall be presented in enough detail so that the Members can determine their sufficiency.

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.

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.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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, prescription drug rebates and subrogation reimbursements. Operating expenses for the Consortium include the payment of claims, carrier stop loss premiums and administrative and other fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents with Fiscal Agent

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 2020, the North Central Ohio 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 North Central Ohio Educational Service Center) has established a separate depository account 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 2020, the Consortium's cash was maintained in demand deposit accounts.

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 Consortiums cash and investments with its Fiscal Agent at fiscal year-end is provided in Note 3.

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.

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.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 - CASH AND CASH EQUIVALENTS 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;
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); and,
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.

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.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 - CASH AND CASH EQUIVALENTS WITH FISCAL AGENT - (Continued)

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

A. Deposits with Fiscal Agent held in Financial Institutions

At June 30, 2020, the carrying amount of all Consortium deposits was \$1,221,181 and the bank balance of all Consortium deposits was \$1,339,508. Of the bank balance, \$250,000 was covered by the FDIC and \$544,754 was covered by the Ohio Pooled Collateral System. For fiscal year 2020, the Consortium's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Consortium has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Consortium 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 (2) 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 reduced rate set by the Treasurer of State. For fiscal year 2020, the Consortium's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

B. 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, 2020:

Cash and investments with Fiscal Agent per note

Carrying amount of deposits with Fiscal Agent	<u>\$ 1,221,181</u>
---	---------------------

Cash and investments with Fiscal Agent per financial statements

Cash and cash equivalents with Fiscal Agent	<u>\$ 1,221,181</u>
---	---------------------

NOTE 4 - RISK MANAGEMENT

The Consortium is a jointly governed organization which acts as a governmental risk pool for medical, hospitalization, dental, prescription drug, vision, life or any other benefits which may be included, from time to time, in a member's plan document, to all covered persons of each member for all claims incurred during membership in the Consortium. The risk of loss for loss transfers from the member school districts to the Consortium upon payment of the monthly premium.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - RISK MANAGEMENT - (Continued)

The Consortium employs the services of an outside consultant, Mutual Health Services, to assist them in administering the Consortium. Mutual Health Services administers the following lines of coverage: medical, hospitalization and prescription drug. The Guardian Life Insurance Company administers vision. Core Source administers a fully insured dental plan for the Consortium. Reliance Standard administers a fully insured life plan for the Consortium.

No employer, employee, or person claiming benefit by or through an employee shall have any claim against the Consortium or any property of the Consortium. The rights and interest of employees and persons claiming by or through employees shall be limited receipt benefits offered by or through the Consortium in accordance with the Consortium Agreement.

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 Consortium is self-insured for member school district employee health insurance and prescription claims but maintains stop gap loss insurance with Mutual Health Services for \$150,000 on an individual basis. The Self Insurance Fund pays covered claims to service providers and recovers these costs from premium charges to member school districts based on calculations provided with the Consortium's consultant NFP Corporate Services in conjunction with Mutual Health Services which is the third party administrator.

The claims liability of \$1,037,864 reported at June 30, 2020, 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, 2020 and 2019 was as follows:

	2020	2019
Claims payable at beginning of fiscal year	\$ 993,499	\$ 966,306
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	7,419,069	7,573,330
Increase in claims expenses for insured events of the prior years	1,239,773	725,250
Total claims expenses	8,658,842	8,298,580
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	7,315,969	7,514,595
Claims expenses paid attributable to insured events of prior years	1,298,508	756,792
Total claims payments	8,614,477	8,271,387
Claims payable at end of fiscal year	\$ 1,037,864	\$ 993,499

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 - 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 6 - RECEIVABLES

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2020, the Consortium reported a \$529,271 receivable for any potential stop loss reimbursements and \$117,230 for rebates. All receivables are expected to be collected within one year.

NOTE 7 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2020, the Consortium has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Consortium will no longer be reporting agency funds. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Consortium.

NOTE 8 - CONTINGENCIES

COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Consortium. The impact on the Consortium's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 9 - SUBSEQUENT EVENT

On July 1, 2020, Buckeye Local School District located in Medina County, Ohio became a member of the Consortium.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

SEVEN-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 2020 is provided on the next page. The Consortium was formed on January 1, 2013 and began reporting on the accrual basis of accounting in fiscal year 2016. Information provided for fiscal year 2014 and 2015 is on a cash-basis of accounting.

**NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS
JOINT SELF-INSURANCE HEALTH PROGRAM
SENECA COUNTY, OHIO**

SEVEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2014 (1)</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>
1. Premiums and investment income	n/a	\$ 7,588,960	\$ 7,945,720	\$ 8,471,362
2. Unallocated expenses	n/a	1,503,564	1,680,589	2,199,598
3. Estimated losses incurred and expense, end of year	n/a	n/a	5,369,342	6,131,782
4. Paid, cumulative as of:				
End of accident year	n/a	6,251,241	5,611,715	6,436,947
One year later	1,430,160	6,933,849	6,291,696	7,072,373
Two years later	1,430,160	6,933,849	6,291,696	7,072,373
Three years later	1,430,160	6,933,849	6,291,696	7,072,373
Four years later	1,430,160	6,933,849	6,291,696	-
Five years later	1,430,160	6,933,849	-	-
Six years later	1,430,160	-	-	-
5. Re-estimated incurred losses and expense:				
End of accident year	n/a	6,251,241	5,369,342	6,131,782
One year later	1,430,160	6,933,849	6,291,696	7,072,373
Two years later	1,430,160	6,933,849	6,291,696	7,072,373
Three years later	1,430,160	6,933,849	6,291,696	7,072,373
Four years later	1,430,160	6,933,849	6,291,696	-
Five years later	1,430,160	6,933,849	-	-
Six years later	1,430,160	-	-	-
6. Increase in estimated incurred losses and expenses from end of accident year	n/a	682,608	922,354	940,591

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

2018	2019	2020
\$ 9,230,131	\$ 9,562,765	\$ 10,071,274
2,143,498	2,397,568	2,384,803
6,251,576	7,573,330	7,419,069
6,220,034	7,514,595	7,315,969
6,976,826	8,813,103	-
6,976,826	-	-
-	-	-
-	-	-
-	-	-
-	-	-
6,251,576	7,573,330	7,419,069
6,976,826	8,813,103	-
6,976,826	-	-
-	-	-
-	-	-
-	-	-
-	-	-
725,250	1,239,773	-

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

North Central Ohio Trust Regional Council of Governments
Joint Self-Insurance Health Program
Seneca County
928 W Market Street
Tiffin, Ohio 44883

To the Board of Trustees:

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 North Central Ohio Trust Regional Council of Governments Joint Self-Insurance Health Program, Seneca County, Ohio (the Consortium), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated December 7, 2020. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Consortium.

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.

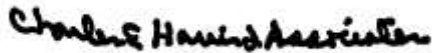
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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.
December 7, 2020

OHIO AUDITOR OF STATE KEITH FABER



NORTH CENTRAL OHIO TRUST REGIONAL COUNCIL OF GOVERNMENTS JOINT SELF- INSURANCE HEALTH PROGRAM

SENECA 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 2/25/2021

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