

**SUMMIT REGIONAL HEALTHCARE
CONSORTIUM**
SUMMIT COUNTY, OHIO

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Summit Regional Healthcare Consortium
3797 Ridgewood Road
Copley, Ohio 44321

We have reviewed the *Independent Auditor's Report* of Summit Regional Healthcare Consortium, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 2021 through June 30, 2022. 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. Summit Regional Healthcare Consortium 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

March 03, 2023

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**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

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Independent Auditor's Report

Summit Regional Healthcare Consortium
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Members of the Board of Directors:

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the Summit Regional Healthcare Consortium, Summit County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Summit Regional Healthcare Consortium's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Summit Regional Healthcare Consortium, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Summit Regional Healthcare 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.

Emphasis of Matter

As described in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Summit Regional Healthcare Consortium. Our opinion is not modified with respect to this matter.

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 Summit Regional Healthcare 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Summit Regional Healthcare 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 Summit Regional Healthcare 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 eight-year loss development information 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 December 23, 2022 on our consideration of the Summit Regional Healthcare 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 Summit Regional Healthcare 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 Summit Regional Healthcare Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 23, 2022

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The management's discussion and analysis of the Summit Regional Healthcare Consortium's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2022. 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 2022 are as follows:

- In total, net position was \$8,679,552 at June 30, 2022. This represents a decrease of \$2,513,560, or 22.46%, from June 30, 2021.
- The Consortium had operating revenues of \$44,408,685 and operating expenses of \$46,775,966 for fiscal year 2022. The Consortium had \$37,677 in interest revenue and a decrease of \$183,956 in the fair value of the Consortium's investments. Operating loss and the decrease in net position for the fiscal year was \$2,367,281 and \$2,513,560, 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 2022?" 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 11-21 of this report.

Required Supplementary Information

Eight-year of loss development information can be found on pages 23-25 of this report.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Net Position and Changes in Net Position

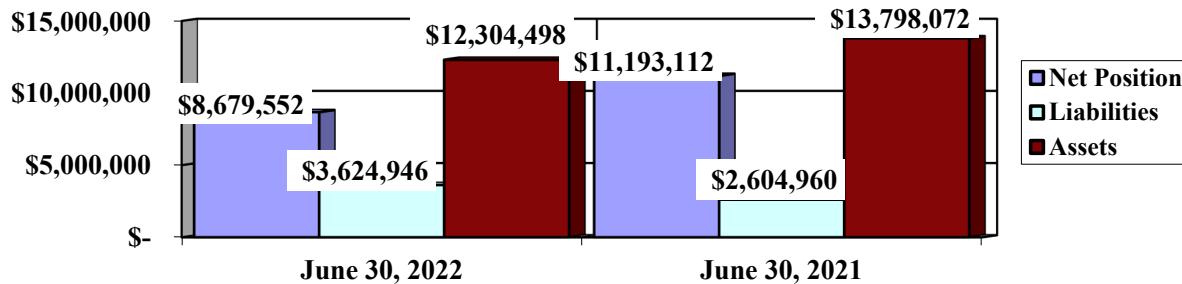
The table below provides a summary of the Consortium's net position for 2022 and 2021.

	2022	2021
<u>Assets</u>		
Cash and cash equivalents with fiscal agent	\$ 4,085,005	\$ 5,761,136
Investments with fiscal agent - current	3,265,831	2,919,095
Investments with fiscal agent - noncurrent	3,385,129	3,876,726
Receivables (net of allowance for uncollectibles):		
Accounts	1,563,575	1,235,994
Accrued interest	4,958	5,121
Total assets	12,304,498	13,798,072
<u>Liabilities:</u>		
Claims payable	3,624,946	2,604,960
<u>Net Position:</u>		
Unrestricted	\$ 8,679,552	\$ 11,193,112

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 Copley-Fairlawn City School District. The Consortium established premiums at a level to build reserves should claims payments fluctuate in a given year. The Consortium will continue to monitor and assess premiums for their sufficiency to cover claims expenses and continue to support reserve levels. The Consortium has recorded a receivable for prescription drug rebates due at year-end from Anthem.

The liability for claims payable is calculated by the Consortium's independent actuary and estimates the claims incurred and due at June 30, 2022. This amount is reflected net of estimated stop-loss reimbursements due to the Consortium at June 30, 2022. Claims payable includes incurred but not reported claims for medical, prescription drug, dental and vision claims.

The chart below shows a breakdown of the Consortium's assets, liabilities and net position at June 30, 2022 and 2021.



**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The table below shows the changes in net position for fiscal year 2022 and 2021.

Change in Net Position

	2022	2021
<u>Operating Revenues:</u>		
Participant contributions	\$ 42,494,996	\$ 40,633,789
Prescription drug rebates	1,913,689	1,876,187
Total operating revenues	44,408,685	42,509,976
<u>Operating Expenses:</u>		
Claims	42,045,481	35,170,894
Administrative/stop-loss fees	4,709,471	4,265,489
Miscellaneous	21,014	19,739
Total operating expenses	46,775,966	39,456,122
Operating income (loss)	(2,367,281)	3,053,854
<u>Nonoperating revenues (expenses):</u>		
Interest	37,677	35,534
Increase (decrease) in fair value of investments	(183,956)	(30,521)
Total nonoperating revenues	(146,279)	5,013
Change in net position	(2,513,560)	3,058,867
Net position, July 1	11,193,112	8,134,245
Net position, June 30	\$ 8,679,552	\$ 11,193,112

Participant contributions revenue did not exceed operating expenses in fiscal year 2022. This resulted from an increase in claims activity in fiscal year 2022. Sufficient participant contributions are required to ensure that the Consortium meets increasing claims expenses. Prescription drug rebate revenue increased from 2021 to 2022.

The Consortium invested primarily in federal agency securities, U.S. Treasury notes, commercial paper, and negotiable CDs during fiscal year 2022. The fair value of investments fluctuates from year-to-year. The Consortium intends to hold all investment to maturity thus eliminating the risk due to fluctuations their fair value while capturing the interest offered by the investments. Administrative/stop loss fees increased due to increased claims activity.

Claims expense represents 89.89% of operating expenses. The Consortium aims to maintain premium revenues at a level sufficient to exceed current year claims expense. Claims expense was 94.68% of total fiscal year 2022 operating revenues. The Consortium uses Anthem Blue Cross/Blue Shield as their third-party administrator.

Current Financial Related Activities

The Consortium is committed to providing its member school districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. The Consortium will continue to look at potential members who meet the established criteria. 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. Dover City School District joined the Consortium in July 2021.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The Consortium requires its member school districts to participate in the medical, prescription and dental insurance program, with individual district choice as to participation in the vision and life programs. The Consortium Board of Directors and its administrative agent, NFP, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for member school districts. Establishing premiums that satisfy all claims, administration fees, and other expenses of the Consortium, in addition to enhancing the net position is important for the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium's Board of Directors is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the member school districts together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 2,400 covered employees, in lieu of each individual district independently entering the insurance marketplace. As the claims cost for medical and prescription drug continue to escalate, the Board of Directors is faced with the unenviable task of attempting to balance a quality benefit 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 in the Consortium must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Consortium and its Board of Directors, and the future looks better from the collective, as opposed to individual, view of the eight-member school districts.

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 Mr. John Wheadon, Treasurer, Copley-Fairlawn City School District, 3797 Ridgewood Road, Copley, Ohio 44321 or by email at John.Wheadon@copley-fairlawn.org.

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS:

Current assets:

Cash and cash equivalents with fiscal agent	\$	4,085,005
Investments with fiscal agent		3,265,831
Receivables:		
Accounts		1,563,575
Accrued interest		4,958
		8,919,369
Total current assets		8,919,369

Noncurrent assets:

Investments with fiscal agent		3,385,129
		3,385,129
Total assets		12,304,498

LIABILITIES:

Current liabilities:

Claims payable		3,624,946
		3,624,946

NET POSITION:

Unrestricted	\$	8,679,552
		8,679,552

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating revenues:	
Participant contributions	\$ 42,494,996
Prescription drug rebates	1,913,689
Total operating revenues	<u>44,408,685</u>
Operating expenses:	
Claims	42,045,481
Administrative/stop-loss fees	4,709,471
Miscellaneous	21,014
Total operating expenses	<u>46,775,966</u>
Operating (loss)	<u>(2,367,281)</u>
Nonoperating revenues (expenses):	
Interest	37,677
(Decrease) in fair value on investments	(183,956)
Total nonoperating revenues (expenses)	<u>(146,279)</u>
Change in net position	(2,513,560)
Net position, July 1	<u>11,193,112</u>
Net position, June 30	<u><u>\$ 8,679,552</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:	
Cash received from participants	\$ 42,494,996
Cash received from prescription drug rebates	1,586,108
Cash payments for claims	(41,025,495)
Cash payments for administrative fees	(4,709,471)
Cash payments for miscellaneous expenses	(21,014)
	<u>(1,674,876)</u>
Net cash (used in) operating activities	<u>(1,674,876)</u>
Cash flows from investing activities:	
Purchase of investments	(3,714,912)
Redemption of investments	3,675,817
Interest received	37,840
	<u>(1,255)</u>
Net cash (used in) investing activities	<u>(1,255)</u>
Net decrease in cash and cash equivalents with fiscal agent	(1,676,131)
Cash and cash equivalents with fiscal agent, July 1	<u>5,761,136</u>
Cash and cash equivalents with fiscal agent, June 30	<u><u>\$ 4,085,005</u></u>
Reconciliation of operating (loss) to net cash (used in) operating activities:	
Operating (loss)	\$ (2,367,281)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) in accounts receivable	(327,581)
Increase in claims payable	1,019,986
	<u>1,019,986</u>
Net cash (used in) operating activities	<u><u>\$ (1,674,876)</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE ENTITY

The Summit Regional Healthcare Consortium (the "Consortium") was established during 2007, formed by the Boards of Education of three school districts in Northeast Ohio, for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. On July 1, 2007, the Consortium was formed and operates as a legally separate entity as provided under Ohio Revised Code Chapter 167. Each participating member signed an agreement. The Consortium became operational on July 1, 2010. As of June 30, 2022, the current eight members are Barberton City School District, Copley-Fairlawn City School District (the "Fiscal Agent"), Cuyahoga Falls City School District, Dover City School District, Norton City School District, Revere Local School District, Wadsworth City School District, and Woodridge Local School District.

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

A. Board of Directors

The Governing Board of the Consortium is the Board of Directors. The Board of Education of each member appoints its representative to be on the Consortium Board of Directors. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors sets all premiums and other amounts to be paid by the members, and the Board of Directors has the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

B. Fiscal Agent

The Fiscal Agent of the Consortium shall be from the Board of Education of a participating member approved by the Board of Directors and is responsible for administering the financial transactions of the Consortium. The Fiscal Agent carries out the responsibilities of the Consortium, enters into contracts on behalf of the Consortium as authorized by the Board of Directors and carries out such other responsibilities as approved by the Board of Directors and agreed to by the Fiscal Agent. In consideration for its services, the Fiscal Agent may receive a fee from the Consortium in such amount as the Board of Directors shall approve. For the fiscal year ended June 30, 2022, the Fiscal Agent served for a fee of \$3,000 per member district.

C. Benefits

Member contributions are used on a cooperative basis for the provision of health, prescription drug, dental, and/or other health care benefits as provided for in the Consortium Agreement and as established by law. The Board of Directors determines the insurance benefits to be provided by or through the Consortium. Benefit selections may vary among the Consortium Members for any type of benefit program. The participating members have adopted a uniform plan document and the Consortium is administered by a third-party administrator. The Board of Directors determines, at their discretion, which third-party administrator insurance carriers and policies to utilize to provide benefits.

D. Enrollment by Member School Districts

Each Member decides which benefit program(s) offered by or through the Consortium shall be extended to its employees, but are required to participate in the medical, prescription drug and dental benefit programs.

E. Operating Fund

The Operating Fund consists of all payments made to the Fiscal Agent in accordance with the Agreement, policy dividends or rate refunds (whether received by the Consortium or left with the insurance carriers to accumulate with interest), investments made by the Fiscal Agent and income there from, and any other money or property which shall come into the hands of the Consortium in connection with the administration of the Consortium.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

The Fiscal Agent shall maintain records which separately identify by Participating Member all contributions from the respective Participating Member. The Fiscal Agent shall maintain or cause to be maintained records which account for all disbursements or transfers from the Operating Fund and Reserve Fund made on behalf of each Participating Member.

The Fiscal Agent may use the Operating Fund for purposes such as, but not limited to:

1. Transfer of funds to a Third-Party Administrator for payment of claims;
2. Payment of premiums for Stop-Loss Insurance Coverage;
3. Additional disbursements may be made from the Operating Fund by the Fiscal Agent at the discretion of the Board of Directors for any proper purpose of the Consortium, including, but not limited to, payment of fees of any Third-Party Administrator, the Fiscal Agent, consultants and lawyers and payment of other operating expenses; and,
4. Make monthly reports to the Board of Directors on or before the 20th day of each month concerning all contributions to and disbursements from the Operating Fund during the preceding calendar month.

F. Termination / Withdrawal of a Consortium Member

It is the express intention of the Consortium Members that the Agreement and the Consortium shall continue for an indefinite term but may be terminated as provided in the Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium shall notify the Fiscal Agent at least 6 months prior to renewal of any benefits normally, July 1st. Specifics governing the withdrawal of a Consortium Member and the run out of all claims for such Consortium Member are addressed in Section 10 of the Agreement.

G. Contributions

Each Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such Member, and such contributions are included in the payments from such Member to the Fiscal Agent for the benefit program. Contributions are to be submitted by each Member, to the Fiscal Agent, required under the terms of the Agreement and any benefit program in which such Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared by the Consortium Members as approved by the Board of Directors.

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.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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.

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. Operating expenses for the Consortium include the payment of claims, stop-loss insurance premiums, administrative fees and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents and Investments 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.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

The Fiscal Agent of the Consortium 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 2022, investments purchased by the Fiscal Agent for the Consortium were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Treasury notes, negotiable certificates of deposit (negotiable CDs), commercial paper, and a U.S. government money market mutual fund. Investments are reported at fair value which is based on quoted market prices.

The fair value of investments was \$149,827 less than their cost basis at June 30, 2022 and was \$34,129 more than their cost basis at June 30, 2021. The fluctuation in the fair values of investments of \$183,956 is reported as a nonoperating expense in the financial statements.

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 3.

E. Budgetary Process

Each member school district of the Consortium is 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.

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.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT

The Fiscal Agent of the Consortium 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 Fiscal Agent. The following disclosures are required by GASB Statement No. 40, “Deposits and Investment Risk Disclosures”.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

State statutes allow the 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, 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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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.

The Fiscal Agent 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.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

A. Deposits with Fiscal Agent held in Financial Institutions

At June 30, 2022, the carrying amount and bank balance of the Consortium’s deposits was \$4,079,045. Of the bank balance, \$250,000 was covered by the FDIC, \$1,914,523 was covered by the Ohio Pooled Collateral System, and \$1,914,522 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

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 fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the Consortium’s financial institution was approved for a reduced collateral rate of 50 percent through the 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 with Fiscal Agent

At June 30, 2022, the Consortium had the following investments purchased by the Fiscal Agent:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>Investment Maturities</u>				
		6 months <u>or less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair Value:</i>						
FFCB	\$ 586,577	\$ -	\$ -	\$ -	\$ 474,558	\$ 112,019
FHLMC	313,786	-	-	207,878	-	105,908
FHLB	1,142,393	-	-	-	195,912	946,481
U.S Treasury Notes	278,717	-	-	169,250	-	109,467
Negotiable CD's	1,663,113	531,578	67,879	480,887	483,551	99,218
Commercial Paper	2,666,374	1,921,404	744,970	-	-	-
U.S. Government Money Market Mutual Fund	5,960	5,960	-	-	-	-
Total	\$ 6,656,920	\$ 2,458,942	\$ 812,849	\$ 858,015	\$ 1,154,021	\$ 1,373,093

The weighted average maturity of investments is 1.23 years.

The Consortium’s investment in the U.S. Government money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs). The Consortium's investments in federal agency securities (FFCB, FHLB, FHLMC), U.S. Treasury notes, commercial paper, and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Disclosures regarding investments of the Consortium are as follows:

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 Fiscal Agent’s investment policy (which the Consortium follows) limits investment portfolio maturities to five years or less.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Credit Risk: The Consortiums investments in federal agency securities were rated Aaa by Moody’s Investor Services and either AA+ or AAA by Standard & Poor’s. The U.S. Treasury notes were rated Aaa by Moody’s Investor Services and either AA+ by Standard & Poor’s. The U.S. government money market mutual fund was rated AAAm by Standard & Poor’s. The commercial paper was rated P-1 and between A-1 and A-1+ by Moody’s and Standard & Poor’s, respectively. The negotiable CDs were not rated but are fully insured by the FDIC. The Fiscal Agent’s investment policy (which the Consortium follows) 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 Fiscal Agent for the Consortium, will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Consortium’s investments in federal agency securities and commercial paper 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 Fiscal Agent’s or Consortium’s name. The Fiscal Agent’s investment policy (which the Consortium follows) does not deal with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Fiscal Agent’s investment policy (which the Consortium follows) 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, 2022:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FFCB	\$ 586,577	8.81
FHLMC	313,786	4.71
FHLB	1,142,393	17.16
U.S. Treasury Notes	278,717	4.19
Negotiable CD's	1,663,113	24.98
Commercial Paper	2,666,374	40.06
U.S. Government Money Market Mutual Fund	<u>5,960</u>	<u>0.09</u>
Total	<u>\$ 6,656,920</u>	<u>100.00</u>

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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 reported on the statement of net position as of June 30, 2022:

<u>Cash and investments with Fiscal Agent per note</u>	
Carrying amount of deposits with Fiscal Agent	\$ 4,079,045
Investments with Fiscal Agent	<u>6,656,920</u>
Total	<u>\$ 10,735,965</u>
 <u>Cash and investments with Fiscal Agent per financial statements</u>	
Cash and cash equivalents with Fiscal Agent	\$ 4,085,005
Investments with Fiscal Agent - current	3,265,831
Investments with Fiscal Agent - noncurrent	<u>3,385,129</u>
Total	<u>\$ 10,735,965</u>

NOTE 4 - RISK MANAGEMENT

The Consortium is a jointly governed organization, which acts as a government risk pool for health, prescription drug and dental insurance for its eight members.

The Consortium has contracted with NFP to assist the Consortium in administering its insurance program. For fiscal year 2022, the Consortium contracted with a third-party administrators Anthem and Delta Dental, to process health benefit claims and dental claims, respectively, incurred by its members. Payments are made by members to the Consortium for monthly health insurance premiums, COBRA administration, monthly stop-loss premiums and administrative charges. The Consortium makes monthly payments to the third-party administrator for actual insurance claims processed, stop-loss coverage, COBRA administration and administrative charges incurred on behalf of the Consortium members.

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 claimed by or through employees shall be limited to benefits offered by or through the Consortium in accordance with the Agreement. The Consortium purchases or otherwise provides for the benefit of itself, the Board of Directors and/or the Fiscal Agent such liability insurance with such limits of coverage deemed necessary and as approved by the Board of Directors. A third-party insured the Consortium for specific stop-loss claims in excess of \$200,000 per covered person for the fiscal year ended June 30, 2022. The annual maximum specific stop-loss claims per covered person for 2022 were unlimited. There is not an aggregate stop-loss maximum provided by Anthem.

Any Member who withdraws from the Consortium pursuant to the Agreement has no claim to the Consortium's assets.

The Consortium holds all reserves including Incurred But Not Reported (IBNR), Shock Stabilization and Fluctuation reserves. However, these reserves are allocated to members on a capitalized basis for accounting purposes.

The Consortium is self-insured for member district employee health insurance claims but maintains aggregate stop-loss insurance with Anthem. The Consortium pays covered claims to service providers and recovers these costs from premium charges to member districts based on calculations provided by NFP.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - RISK MANAGEMENT - (Continued)

The claims liability of \$3,624,946 reported at June 30, 2022, reported net of estimated stop-loss reimbursements due to the Consortium of \$241,024, is based on an actuarial estimate provided by the third party administrator and the requirements of 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", 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 years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Claims payable at beginning of fiscal year	\$ 2,604,960	\$ 2,282,304
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	43,828,921	38,058,926
(Decrease) in claims expenses for insured events of the prior years	(1,783,440)	(2,888,032)
Total claims expenses	42,045,481	35,170,894
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	38,188,336	33,438,327
Claims expenses paid attributable to insured events of prior years	2,837,159	1,409,911
Total claims payments	41,025,495	34,848,238
Claims payable at end of fiscal year	\$ 3,624,946	\$ 2,604,960

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, 2022, the Consortium reported a \$4,958 accrued interest receivable for accrued interest on investments and recorded a \$1,563,575 account receivable for prescription drug rebates from Anthem related to fiscal year 2022 activity. These receivables are expected to be collected within one year.

NOTE 7 - WELLNESS PROGRAM

The Consortium approved a one-year Wellness Plan (the "Plan") effective July 1, 2021. This Plan was established in connection with an agreement with the Consortium's third-party administrator who agreed to reimburse the Consortium up to \$155,250 for the fiscal year ending June 30, 2022. Under the Plan, the Consortium entered into a one-year contract, effective August 1, 2012 and renewing annually, with a wellness program consultant (Be Well Solutions) with an annual fee of \$42,300. In addition, fees for each participant are charged for other services provided, such as screening, health fairs and flu shots.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2022, the Consortium has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Consortium.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Consortium.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 9 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Consortium. The impact on the Consortium's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. In addition, the Consortium's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

EIGHT-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 fiscal 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 prior to fiscal year 2015 is not available.

**SUMMIT REGIONAL HEALTHCARE CONSORTIUM
SUMMIT COUNTY, OHIO**

EIGHT-YEAR LOSS DEVELOPMENT INFORMATION ⁽¹⁾ (CONTINUED)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1. Premiums and investment income ⁽²⁾	\$ 29,151,426	\$ 29,791,814	\$ 30,686,338	\$ 32,298,701
2. Unallocated expenses ⁽²⁾	3,311,613	2,877,080	2,820,405	3,988,035
3. Estimated losses incurred and expense, end of year	26,027,051	28,810,834	31,011,128	31,915,082
4. Paid, cumulative as of:				
End of accident year	22,205,535	24,382,860	26,148,560	27,331,321
One year later	24,136,451	26,705,740	28,751,806	29,063,091
Two years later	24,136,451	26,705,740	28,751,806	29,063,091
Three years later	24,136,451	26,705,740	28,751,806	29,063,091
Four years later	24,136,451	26,705,740	28,751,806	29,063,091
Five years later	24,136,451	26,705,740	28,751,806	-
Six years later	24,136,451	26,705,740	-	-
Seven years later	24,136,451	-	-	-
5. Re-estimated incurred losses and expense:				
End of accident year	26,027,051	28,810,834	31,011,128	31,915,082
One year later	24,136,451	26,705,740	28,751,806	29,063,091
Two years later	24,136,451	26,705,740	28,751,806	29,063,091
Three years later	24,136,451	26,705,740	28,751,806	29,063,091
Four years later	24,136,451	26,705,740	28,751,806	29,063,091
Five years later	24,136,451	26,705,740	28,751,806	-
Six years later	24,136,451	26,705,740	-	-
Seven years later	24,136,451	-	-	-
6. Decrease in estimated incurred losses and expenses from end of accident year	(1,890,600)	(2,105,094)	(2,259,322)	(2,851,991)

Notes:

⁽¹⁾ Information prior to fiscal year 2015 is not available. This schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

⁽²⁾ Information for 2015 and 2016 presented on the cash-basis of accounting.

	2019	2020	2021	2022
\$	35,160,269	\$ 38,217,969	\$ 40,638,802	\$ 42,348,717
	3,631,516	4,227,800	4,285,228	4,730,485
	33,126,335	36,096,259	38,058,926	43,828,921
	28,569,326	31,798,316	33,438,327	38,188,336
	30,042,806	33,208,227	36,275,486	-
	30,042,806	33,208,227	-	-
	30,042,806	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	33,126,335	36,096,259	38,058,926	43,828,921
	30,042,806	33,208,227	36,275,486	-
	30,042,806	33,208,227	-	-
	30,042,806	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	(3,083,529)	(2,888,032)	(1,783,440)	-

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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***

Summit Regional Healthcare Consortium
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Members of 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 statements of the Summit Regional Healthcare Consortium, Summit County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Summit Regional Healthcare Consortium’s basic financial statements, and have issued our report thereon dated December 23, 2022, wherein we noted as described in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Summit Regional Healthcare 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Summit Regional Healthcare Consortium’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Summit Regional Healthcare 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 Summit Regional Healthcare 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 were not identified.

Summit Regional Healthcare Consortium

Summit County

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*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Summit Regional Healthcare 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Summit Regional Healthcare 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 Summit Regional Healthcare Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

December 23, 2022

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OHIO AUDITOR OF STATE KEITH FABER



SUMMIT REGIONAL HEALTH CARE CONSORTIUM (SRHCC)

SUMMIT 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 3/16/2023

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