

**LOGAN COUNTY  
SCHOOL EMPLOYEE CONSORTIUM**  
LOGAN COUNTY, OHIO

**REGULAR AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2023**



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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Board Members  
Logan County School Employee Consortium  
4740 County Road 26  
Bellefontaine, Ohio 43311

We have reviewed the *Independent Auditor's Report* of the Logan County School Employee Consortium, Logan County, prepared by Julian & Grube, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Logan County School Employee 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

September 30, 2024

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**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

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## Independent Auditor's Report

Logan County School Employee Consortium  
Logan County  
4740 County Road 26  
Bellefontaine, OH 43311

To the Members of the Board:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Logan County School Employee Consortium, Logan County, Ohio, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Logan County School Employee 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 Logan County School Employee Consortium, as of December 31, 2023, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Logan County School Employee Consortium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Logan County School Employee 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 opinions. 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 Logan County School Employee 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 Logan County School Employee 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 *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 June 14, 2024, on our consideration of the Logan County School Employee 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 Logan County School Employee 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 Logan County School Employee Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 14, 2024

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The management's discussion and analysis of the Logan County School Employee Consortium's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

**Financial Highlights**

Key financial highlights for 2023 are as follows:

- In total, net position was \$2,646,954 at December 31, 2023, which represents a decrease of \$749,079 compared to the prior year.
- The Consortium had operating revenues of \$9,845,487 and operating expenses of \$10,727,111 in 2023. Non-operating revenues consisted of \$99,035 in investment income, a net increase in fair value of investments of \$33,485, and other miscellaneous revenues of \$25.

**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's 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 2023?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current 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 statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations.

***Notes to the Basic Financial Statements***

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

***Required Supplementary Information***

Loss development information provides comparative analysis of claims expenses incurred and paid over the last several years.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Net Position and Changes in Net Position**

The table below provides a summary of the Consortium's net position for 2023 and 2022.

	2023	2022
<u>Current assets:</u>		
Cash	\$ 1,430,182	\$ 2,213,149
Investments	2,264,790	2,180,161
<u>Receivables:</u>		
Stop loss recoverable	186,332	1,707
Accrued interest	8,598	2,879
Prepayments	22,656	20,376
Total current assets	3,912,558	4,418,272
<u>Current liabilities:</u>		
Claims payable	726,000	510,000
Unearned revenue	539,604	512,239
Total current liabilities	1,265,604	1,022,239
<u>Net position:</u>		
Unrestricted	2,646,954	3,396,033
Total net position	\$ 2,646,954	\$ 3,396,033

Total assets of the Consortium amounted to \$3,912,558 at December 31, 2023. The most significant assets are cash and investments. Additional detail regarding the Consortium's cash and investments can be found in Note 3 in the notes to the basic financial statements. The Consortium established premiums at a level to build cash 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.

Total liabilities of the Consortium amounted to \$1,265,604 at December 31, 2023. The most significant liabilities are claims payable and unearned revenue. Claims payable is calculated by the Consortium's independent actuary and is an estimate of the claims incurred but not paid at year end. Unearned revenue represents premiums paid in advance by Consortium members.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

**Change in Net Position**

	2023	2022
<u>Operating revenues:</u>		
Member contributions	\$ 9,043,809	\$ 8,504,826
Stop loss reimbursement	423,796	345,379
Rebates and credits	377,882	242,067
Total operating revenues	9,845,487	9,092,272
<u>Operating expenses:</u>		
Claims	9,122,813	6,144,682
Administrative fees	337,554	264,222
Insurance premiums	871,689	1,074,734
Professional fees	395,055	182,204
Total operating expenses	10,727,111	7,665,842
Operating income (loss)	(881,624)	1,426,430
<u>Nonoperating revenues:</u>		
Investment income	99,035	44,937
Miscellaneous	25	-
Net increase (decrease) in the fair value of investments	33,485	(153,590)
Total nonoperating revenues	132,545	(108,653)
Change in net position	(749,079)	1,317,777
Net position at beginning of year	3,396,033	2,078,256
Net position at end of year	\$ 2,646,954	\$ 3,396,033

Sufficient member contributions are required to ensure that the Consortium is able to meet claims expenses. Total operating revenues increased \$753,215 or 8.3% as the Consortium increased the premiums charged to its members in order to ensure sufficient cash reserves to cover claims and other costs. Other operating revenues include rebates and credits and stop loss reimbursements. The Consortium purchases stop loss reinsurance for individual claims in excess of \$150,000.

The Consortium incurred operating expenses for claims, administrative fees, insurance premiums for specific stop loss coverage, and professional fees for services such as legal, actuarial, and audit, as well as various other fees. Total operating expenses increased \$3,061,269 or 39.9%, which is primarily due to an increase in claims paid. The Consortium aims to maintain premium revenues at a level sufficient to cover current year claims expense. Claims expense was 92.7% of total 2023 operating revenues.

**Current Financial Related Activities**

The Consortium is committed to providing its members 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.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The Consortium requires its members to participate in the medical and prescription drug insurance program. The Consortium Board of Directors (the "Board") and its consultant, HUB International HDH, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for members. Establishing premiums that satisfy all claims, administrative 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.

As claims costs for medical and prescription drug continue to escalate, the Board is faced with the task of attempting to balance a quality benefits offering within the financial constraints facing Ohio governments. This is much the same as the dilemma facing American businesses today, and is complicated by the fact that each member in the Consortium must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Consortium and its Board, and the future looks better from the collective, as opposed to individual, view of the members.

**Contacting the Consortium's Financial Management**

This financial report is designed to provide our Board, member school districts and potential member school districts 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. Jennifer Sudhoff, Treasurer, Logan County School Employee Consortium, 2280 State Route 540, Bellefontaine, Ohio 43311.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2023

<b>Current assets:</b>	
Cash	\$ 1,430,182
Investments	2,264,790
Receivables:	
Stop loss recoverable	186,332
Accrued interest	8,598
Prepayments	<u>22,656</u>
Total current assets	<u>3,912,558</u>
<b>Current liabilities:</b>	
Claims payable	726,000
Unearned revenue	<u>539,604</u>
Total current liabilities	<u>1,265,604</u>
<b>Net position:</b>	
Unrestricted	<u>2,646,954</u>
Total net position	<u><u>\$ 2,646,954</u></u>

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

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2023

<b>Operating revenues:</b>	
Member contributions	\$ 9,043,809
Stop loss reimbursement	423,796
Rebates and credits	<u>377,882</u>
Total operating revenues	<u>9,845,487</u>
<b>Operating expenses:</b>	
Claims	9,122,813
Administrative fees	337,554
Insurance premiums	871,689
Professional fees	<u>395,055</u>
Total operating expenses	<u>10,727,111</u>
Operating income (loss)	<u>(881,624)</u>
<b>Nonoperating revenues:</b>	
Investment income	99,035
Miscellaneous	25
Net increase (decrease) in the fair value of investments	<u>33,485</u>
Total nonoperating revenues	<u>132,545</u>
Change in net position	(749,079)
<b>Net position at beginning of year</b>	<u>3,396,033</u>
<b>Net position at end of year</b>	<u><u>\$ 2,646,954</u></u>

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

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023

<b>Cash flows from operating activities:</b>	
Cash received from member contributions	\$ 9,071,173
Cash received from stop loss recoverable	239,171
Cash received from rebates and credits	377,882
Cash payments for claims	(8,906,812)
Cash payments for administrative fees	(337,554)
Cash payments for insurance premiums	(871,689)
Cash payments for professional fees	(397,335)
	<hr/>
Net cash used in operating activities	(825,164)
	<hr/>
<b>Cash flows from noncapital financing activities:</b>	
Miscellaneous nonoperating activities	25
	<hr/>
Net cash provided by noncapital financing activities	25
	<hr/>
<b>Cash flows from investing activities:</b>	
Investments purchased	(936,996)
Investments sold	885,852
Interest income	93,316
	<hr/>
Net cash provided by investing activities	42,172
	<hr/>
Net decrease in cash	(782,967)
	<hr/>
<b>Cash at beginning of year</b>	2,213,149
<b>Cash at end of year</b>	<u><u>\$ 1,430,182</u></u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (881,624)
Changes in assets and liabilities:	
(Increase) in stop loss recoverable	(184,625)
(Increase) in prepayments	(2,280)
Increase in claims payable	216,000
Increase in unearned revenue	27,365
	<hr/>
Net cash used in operating activities	<u><u>\$ (825,164)</u></u>

**Non-cash investing activities:**

At December 31, 2023 and 2022, the fair value adjustment for investments was (\$96,206) and (\$129,691), respectively

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



**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Logan County School Employee Consortium (the "Consortium"), a Regional Council of Governments organized under Ohio Revised Code Chapter 167, was established on November 4, 2013, for the purpose of establishing and carrying out a cooperative medical and prescription drug program to governmental entities ("Members") in Ohio. The Council maintains Bylaws and each Member signs an Agreement.

The current Members are Benjamin Logan Local School District, Indian Lake Local School District, Midwest Regional Educational Service Center, Ohio Hi-Point Joint Vocational School District, and Western Ohio Computer Organization (WOCO). Except for WOCO, which is a non-voting Member, each of the participating Members is represented on the Board of Directors of the Consortium (the "Board") by their respective Superintendent, Treasurer, or a designee to represent the Member.

The Board is the legislative and managerial body of the Consortium. The Board elects at its annual meeting the officers who consist of a Chairperson, Vice-Chairperson, and Recording Secretary. The Board oversees and manages the operation of the insurance program, and other programs of the Consortium. The insurance program is currently the only program offered by the Consortium to its Members. The Board is authorized to employ on behalf of the Consortium such consultants, including a claims administrator and an actuary, as it deems necessary to assist in the management of the Consortium. The Board appoints a Fiscal Agent for the Consortium. The Board sets the annual Member contributions and other amounts to be paid by Members.

It is the expressed intention of the Consortium that the Agreement shall continue for an indefinite term, but it may be terminated by a two-thirds vote of the majority of the Members, as provided in Section 15 of the Consortium Agreement. Any Member wishing to withdraw from participation in the Consortium is permitted to do so only after providing written notice to the Fiscal Agent and will be effective not less than 180 days after notice is given by the Member. Specifics governing the withdrawal of a Member and run out of all claims is addressed in Section 11 of the Consortium Agreement.

The Consortium incurs premiums for specific stop loss insurance. The specific stop loss limit of \$150,000 represents the maximum amount of claims to be paid annually by the Consortium per participant.

The Consortium has contracted with a third-party administrator to act as its agent for the payment of plan benefits, selection of reinsurance coverage, and provision of certain administrative services, and is compensated for these services.

The Treasurer serves as Fiscal Agent of the Consortium and is responsible for administering the financial transactions of the Consortium. The Treasurer, a non-voting, ex-officio officer of the Board, receives, deposits, invests and disburses all funds, prepares all necessary fiscal reports for the Board, and undertakes all other financial transactions necessary to the work of the Consortium in accordance with the Bylaws of the Consortium. Jennifer Sudhoff serves as Treasurer of the Consortium.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

The Consortium's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Consortium consists of all funds, departments, boards and agencies that are not legally separate from the Consortium. For the Consortium, this consists of a single enterprise fund.

Component units are legally separate organizations for which the Consortium is financially accountable. The Consortium is financially accountable for an organization if the Consortium appoints a voting majority of the organization's Governing Board and (1) the Consortium is able to significantly influence the programs or services performed or provided by the organization; or (2) the Consortium is legally entitled to or can otherwise access the organization's resources; or (3) the Consortium is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Consortium is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Consortium in that the Consortium approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Consortium has no component units.

**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/Masurement 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 all liabilities 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 total position.

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

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

**D. Cash and Investments**

The Consortium's Fiscal Agent maintains the Consortium's financial activity, purchases specific investments and maintains a separate checking account for the Consortium.

During 2023, investments of the Consortium were limited to negotiable certificates of deposit (CDs) and a U.S. Government money market fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

For purposes of the statement of net position and the statement of cash flows, investments of the Consortium with original maturities of three months or less at the time they are purchased are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. In addition, the Consortium's policy is to treat all of its short-term, highly liquid investments (such as U.S. Government money market funds) as investments and not as cash equivalents.

An analysis of the Consortium's cash and investments at year-end is provided in Note 3.

**E. Prepayments**

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

**F. Budgetary Process**

The member school districts 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.

**G. Unearned Revenue**

Unearned revenues represent premiums paid in advance by Consortium members at December 31, 2023. The premiums will be recognized as revenue in the month to which they pertain.

**H. Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Consortium had no restricted net position at December 31, 2023.

**I. 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.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

**J. 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 INVESTMENTS**

In accordance with the Constitution of the Consortium, the investment of the Consortium funds shall be subject to the laws of the State of Ohio concerning the investment and management of public funds, particularly Chapter 135 of the Ohio Revised Code, and are the responsibility of the fiscal agent. The following disclosures relate to the deposits and investments of the Consortium.

**A. Deposits with Financial Institutions**

At December 31, 2023, the carrying amount of all Consortium deposits was \$1,430,182 and the bank balance of all the Consortium's deposits was \$1,275,088. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2023, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$615,053 was covered by the Ohio Pooled Collateral System (OPCS) and \$410,035 was exposed to custodial credit risk because the amount was 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: (a) 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 (b) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023 the Consortium's depository institution was approved for a reduced collateral rate of 60% 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**

As of December 31, 2023, the Consortium had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
Fair value:						
Negotiable CDs	\$ 2,241,794	\$ -	\$ 335,045	\$ -	\$ 414,551	\$ 1,492,198
U.S. Government money market fund	22,996	22,996	-	-	-	-
	<u>\$ 2,264,790</u>	<u>\$ 22,996</u>	<u>\$ 335,045</u>	<u>\$ -</u>	<u>\$ 414,551</u>	<u>\$ 1,492,198</u>

The weighted average maturity of investments is 3.11 years.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 3 - CASH AND INVESTMENTS - (Continued)**

The U.S. Government money market fund is valued using quoted market prices in active markets (Level 1 inputs). The 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).

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

*Credit Risk:* The U.S. Government money market mutual fund carries a rating of AAAM by Standard & Poor’s. The Consortium’s investments in negotiable CDs were not rated. The Consortium’s investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consortium’s investments in negotiable CDs are insured by the FDIC. The Consortium has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at December 31, 2023:

<u>Investment type</u>	<u>Measurement</u>	
	<u>Value</u>	<u>% of Total</u>
Negotiable CDs	\$ 2,241,794	98.98
U.S. Government money market fund	22,996	1.02
	\$ 2,264,790	100.00

**NOTE 4 - RECEIVABLES**

Receivables at December 31, 2023 consisted of stop loss recoverable of \$186,332 and accrued interest of \$8,598. The receivables are considered collectible in full and are expected to be collected in the subsequent year.

**NOTE 5 - RISK MANAGEMENT**

The Consortium is a jointly governed organization which acts as a governmental risk pool for medical and prescription drug coverage for its four Members. The risk of loss for loss transfers from the Member to the Consortium upon payment of the monthly premium.

The Consortium employs the services of an outside consultant, HUB International HDH, to assist them in administering the Consortium. The Consortium also uses Anthem as their third party administrator. Anthem administers the medical and prescription drug benefits.

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 5 - RISK MANAGEMENT - (Continued)**

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. The Consortium purchases or otherwise provides for the benefit of itself, the Board and/or the Fiscal Agent such liability insurance with such limits of coverage as approved by the Board. The aggregate claims liability of the Consortium shall not exceed one-hundred-twenty five percent (125%) of expected claims. Any Member which withdraws from the Consortium pursuant to the Consortium Agreement has no claim to the Consortium’s assets.

It is not necessary for each Member 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 Member-by-Member basis.

The Consortium is self-insured for Member employee health insurance claims, but maintains stop gap loss insurance with Anthem for \$150,000 on an individual basis. The Consortium pays covered claims to service providers and recovers these costs from premium charges to Members based on calculations provided by the outside consultant in conjunction with the third party administrator.

The claims liability of \$726,000 reported at December 31, 2023 is based on an actuarial estimate provided by the Consortium’s independent actuary 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 years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Claims payable at beginning of year	\$ 510,000	\$ 589,000
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	9,140,884	6,421,668
Increase (decrease) in claims expenses for insured events of prior years	(18,072)	(276,986)
Total claims expenses	9,122,812	6,144,682
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	(8,414,884)	(5,911,668)
Claims expenses paid attributable to insured events of prior years	(491,928)	(312,014)
Total claims payments	(8,906,812)	(6,223,682)
Claims payable at end of year	\$ 726,000	\$ 510,000

**NOTE 6 - LITIGATION**

The Consortium is not party to any litigation that, in the opinion of management, is expected to have a material adverse effect on the financial position of the Consortium.

**NOTE 7 - TAX STATUS**

The trust established under the Consortium to hold plan assets is qualified pursuant to the appropriate section of the Internal Revenue Code as a tax exempt organization. The Consortium has obtained a favorable determination from the Internal Revenue Service and the Consortium believes that the plan continues to qualify and operate as designated.

REQUIRED SUPPLEMENTARY INFORMATION

**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM**  
**LOGAN COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION  
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 in future years will show data for successive accident years. The Consortium's first year of operations began January 1, 2014.



**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM  
LOGAN COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION  
LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>1. Premiums and investment income</b>	\$ 6,134,799	\$ 6,575,061	\$ 6,802,587	\$ 6,859,621	\$ 6,414,364
<b>2. Unallocated expenses</b>	904,022	1,185,489	1,160,189	1,169,811	1,099,495
<b>3. Estimated losses incurred and expense, end of year</b>	4,895,196	4,406,667	5,776,073	6,164,602	6,715,457
<b>4. Paid, cumulative as of:</b>					
End of accident year	4,330,109	3,803,667	5,203,563	4,902,861	6,058,898
One year later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Two years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Three years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Four years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Five years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Six years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Seven years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Eight years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
Nine years later	4,935,890	4,404,188	6,575,752	5,471,728	6,554,644
<b>5. Re-estimated incurred losses and expense:</b>					
End of accident year	4,895,196	4,406,667	5,776,073	6,164,602	6,715,457
One year later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Two years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Three years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Four years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Five years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Six years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Seven years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Eight years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
Nine years later	4,691,596	4,594,500	5,862,335	6,239,127	6,554,644
<b>6. Increase (decrease) in estimated incurred losses and expenses from end of accident year</b>	(203,600)	187,833	86,262	74,525	(160,813)

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$	6,589,639	\$ 6,482,551	\$ 7,192,344	\$ 8,549,763	\$ 9,142,844
	1,125,821	1,105,454	1,423,016	1,521,160	1,604,298
	5,448,037	6,086,310	7,160,183	6,421,668	9,140,884
	4,935,878	5,515,310	6,571,183	5,911,668	8,414,884
	5,153,767	5,983,299	6,883,197	6,403,596	
	5,153,767	5,983,299	6,833,197		
	5,153,767	5,983,299			
	5,153,767				
	5,448,037	6,086,310	7,160,183	6,421,668	9,140,885
	5,153,767	5,983,299	6,883,197	6,403,596	
	5,153,767	5,983,299	6,883,197		
	5,153,767	5,983,299			
	5,153,767				
	(294,270)	(103,011)	(276,986)	(18,072)	

**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***

Logan County School Employee Consortium  
Logan County  
4740 County Road 26  
Bellefontaine, OH 43311

To the Members of Board:

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 Logan County School Employee Consortium, Logan County, Ohio, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Logan County School Employee Consortium’s basic financial statements, and have issued our report thereon dated June 14, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Logan County School Employee 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Logan County School Employee Consortium’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Logan County School Employee 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 Logan County School Employee 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Logan County School Employee 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*.

Logan County School Employee Consortium

Logan 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*

**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 Logan County School Employee 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 Logan County School Employee Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

June 14, 2024

# OHIO AUDITOR OF STATE KEITH FABER



**LOGAN COUNTY SCHOOL EMPLOYEE CONSORTIUM**

**LOGAN 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 10/10/2024**

65 East State 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](http://www.ohioauditor.gov)