



**Auditor of State
Betty Montgomery**

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

School Employees Insurance Consortium
Ross County
19463 Pherson Pike
Williamsport, Ohio 43164

To the Board of Directors:

We have audited the accompanying financial statements of the School Employees Insurance Consortium, Ross County, Ohio, (the Consortium) as of and for the years ended June 30, 2003, 2002, and 2001. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Consortium prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the School Employees Insurance Consortium, Ross County, Ohio, as of June 30, 2003, 2002, and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2003, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2003. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of that audit.

School Employees Insurance Consortium
Ross County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 22, 2003

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED JUNE 30, 2003, 2002 AND 2001**

	2003	2002	2001
Cash Receipts:			
Charges for Services	\$17,085,035	\$16,208,191	\$12,842,924
Earnings on Investments	12,347	10,471	11,391
Miscellaneous Receipts	<u>1,302,482</u>	<u>1,056,920</u>	<u>785,149</u>
Total Cash Receipts	18,399,864	17,275,582	13,639,464
 Cash Disbursements:			
Purchased Services	1,893,300	1,562,884	1,195,548
Claims Payments	<u>15,758,637</u>	<u>15,832,616</u>	<u>12,278,886</u>
Total Cash Disbursements	<u>17,651,937</u>	<u>17,395,500</u>	<u>13,474,434</u>
Total Cash Receipts Over (Under) Cash Disbursements	747,927	(119,918)	165,030
 Beginning Cash Balance	<u>247,165</u>	<u>367,083</u>	<u>202,053</u>
 Ending Cash Balance	<u><u>\$995,092</u></u>	<u><u>\$247,165</u></u>	<u><u>\$367,083</u></u>

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

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**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ross County School Employees Insurance Consortium (the Consortium), is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The Consortium administers a cooperative health insurance program. The Consortium is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Board of Directors is the legislative and managerial body of the Consortium. The Board of Directors is composed of a representative from member school districts who has been appointed by their respective school district (normally the Superintendent). At June 30, 2003, fourteen school districts were actively participating in the Consortium. The Consortium had no new school district join membership or any current district rescind its membership during fiscal year 2003.

The Board of Directors appoints a member district as the Fiscal Agent for the Consortium. The Treasurer of the Fiscal Agent shall be the Treasurer of the Consortium. The Westfall Local School District Treasurer is appointed Fiscal Agent for the Consortium.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These financial statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

All revenue received by the Consortium is placed in one of two bank accounts. Interim deposits are maintained in one of these accounts. The Consortium also has an account in which the monies are temporarily used to purchase short term investments. Investments were limited to a Repurchase Agreement. Nonparticipating investment contracts such as repurchase agreements and negotiable certificates of deposit are reported at cost.

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	2003	2002	2001
Demand deposits	\$943,573	\$117,836	\$7,104
Repurchase agreement	51,519	129,329	359,979
Total deposits and investments	\$995,092	\$247,165	\$367,083

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Westfall Local School District's agent holds securities collateralizing the repurchase agreements. The securities are not in the District's name.

3. RISK MANAGEMENT

The Consortium is a regional council of governments organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The Consortium, which is open to any Board of Education of any school district in the State of Ohio, is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance program that is adequate to meet the needs of each member school under its benefit plan for its employees. The Board of Directors also purchases stop loss coverage for claims in excess of a set amount both for individual claims (\$100,000) and in the pool's aggregate (\$13,699,128).

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are the claims by eligible employees which are payable by each member, the member's share of the health and dental insurance premiums, and their proportionate share of the administrative cost of the Consortium. The actual balance of each member school's account is determined on a triennial basis. If a member is in a deficit position, one-half of the deficit is due immediately or can be paid over the next three years including interest of 10 percent.

Member schools may withdraw from the Consortium at the end of any fiscal year, and may be removed for failure to make the required payments. The obligation for the payment of any negative balance in a member's account and the remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003, 2002 AND 2001
(Continued)**

4. CLAIMS LIABILITY

The reported but not paid (RBNP) and incurred but not reported (IBNR) claims under the health plan at June 30 (the liability) are used by the Consortium to help determine the rates to charge members. The liability as of June 30 follows:

Year	Claims Reported But Not Yet Paid At June 30	Estimated Claims Incurred But Not Reported at June 30	Total Liability At June 30
2003	\$0	\$1,786,315	\$1,786,315
2002	\$411,557	\$2,018,108	\$2,429,665
2001	\$2,065,556	\$803,935	\$2,869,491

The trend data above is useful in assessing the adequacy of rates the Consortium charges its members. A decreasing liability indicates current rates may be sufficient to cover liabilities that members have incurred. The Consortium currently pays all claims immediately upon presentation for payment by the third party administrator. This process has changed from previous reporting periods.

The Consortium used an actuary to estimate the liability and determine if an adequate reserve has been established by its member districts. The reserve payments by the member District's started in July 1, 2002. The Consortium continues to collect money from South Point LSD in accordance to an agreement between the parties. As of June 30, 2003, South Point LSD has made all monetary payments required under this agreement.

5. CASH POSITION OF MEMBER SCHOOL DISTRICTS

At June 30, members of the Consortium had the following respective cash position:

Member District	2003	2002	2001
Adena LSD	\$70,113	(\$114,866)	(\$132,840)
Amanda Clearcreek LSD *	2,837	0	141,184
Blanchester LSD *	3,163	3,163	2,945
Bright LSD	(221,653)	(258,721)	(214,120)
Circleville CSD	(38,506)	9,713	58,106
Huntington LSD	433,099	260,682	351,404
Logan Elm LSD	11,867	(77,152)	56,099
Lynchburg-Clay LSD	(130,980)	(108,840)	(222,733)
Madison Plains LSD *	252,019	282,872	86,470
Paint Valley LSD	13,773	(45,079)	(57,913)
Pickaway-Ross JVSD	(47,895)	(18,026)	(223,447)
Ross-Pike ESD	363,087	329,791	335,110
Scioto Valley LSD	(157,375)	(104,495)	48,681
South Point LSD (See Note 4)	(482,855)	(683,142)	(1,083,490)
Teays Valley LSD	169,938	11,240	34,203
Union Scioto LSD	624,809	451,655	535,637
Westfall LSD	80,251	273,505	446,443
Zane Trace LSD	49,400	8,320	189,269
Total with Districts	\$995,092	\$220,620	\$351,008
Miscellaneous Fund	0	26,545	16,075
Consortium Cash Balance	<u>\$995,092</u>	<u>\$247,165</u>	<u>\$367,083</u>

* Indicates prior members that will be refunded amounts during the June 30, 2004 fiscal year.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

School Employees Insurance Consortium
Ross County
19463 Pherson Pike
Williamsport, Ohio 43164

To the Board of Directors:

We have audited the accompanying financial statements of the School Employees' Insurance Consortium, Ross County, Ohio, (the Consortium) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 22, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management in a separate letter dated September 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management in a separate letter dated September 22, 2003.

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School Employees Insurance Consortium
Ross County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 22, 2003

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-60771-001	Revised Code 9.833	Corrected	



**Auditor of State
Betty Montgomery**

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SCHOOL EMPLOYEES INSURANCE CONSORTIUM

ROSS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2003**