



**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, Oh 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, 2004, 2003, and 2002. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

As described Note 1, the Consortium prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the School Employees Insurance Consortium, Ross County, Ohio, as of June 30, 2004, 2003, and 2002 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 October 29, 2004, 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, 2004. 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 our audit.

This report is intended solely for the information and use of management, the Board Directors and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

October 29, 2004

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002**

	2004	2003	2002
Cash Receipts:			
Charges for Services	\$17,204,346	\$17,085,035	\$16,208,191
Earnings on Investments	7,545	12,347	10,471
Miscellaneous Receipts	<u>309,597</u>	<u>1,302,482</u>	<u>1,056,920</u>
Total Cash Receipts	<u>17,521,488</u>	<u>18,399,864</u>	<u>17,275,582</u>
Cash Disbursements:			
Purchased Services	1,539,053	1,893,300	1,562,884
Claims Payments	<u>16,023,363</u>	<u>15,758,637</u>	<u>15,832,616</u>
Total Cash Disbursements	<u>17,562,416</u>	<u>17,651,937</u>	<u>17,395,500</u>
Total Cash Receipts Over (Under) Cash Disbursements	(40,928)	747,927	(119,918)
Other Financing Sources (Uses)			
Refund of Prior Years Receipts	<u>(257,853)</u>	<u>0</u>	<u>0</u>
Total Other Financing Source (Uses)	<u>(257,853)</u>	<u>0</u>	<u>0</u>
Total Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	<u>(298,781)</u>	<u>747,927</u>	<u>(119,918)</u>
Beginning Cash Balance	<u>995,093</u>	<u>247,166</u>	<u>367,084</u>
Ending Cash Balance	<u>\$696,312</u>	<u>\$995,093</u>	<u>\$247,166</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, 2004, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The School Employees Insurance Consortium (the Consortium), Ross County, Ohio, 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, 2004, 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 2004.

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

All revenue received by the Consortium is placed in the Consortium's bank account. Interim deposits are maintained in this account.

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:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Demand deposits	696,312	943,574	117,837
Repurchase agreement	0	51,519	129,329
Total deposits and investments	<u>696,312</u>	<u>995,093</u>	<u>247,166</u>

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

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

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 an annual basis. If a member is in a deficit position, the following is required: If the deficit balance is less than \$50,000, the district does not owe anything; if the deficit balance is between \$50,000 and \$200,000, the district owes one-half of the difference between \$50,000 and the balance immediately; and if the deficit balance is over \$200,000, the district owes one-half of the difference between \$50,000 and \$200,000 and one-third of the amount over \$200,000. Member districts with deficit balances can elect to pay the deficit balance monthly by paying additional amounts on top of their monthly premiums.

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.

4. CLAIMS LIABILITY

The 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	Estimated Claims Incurred But Not Reported at June 30
2004	\$2,303,079
2003	\$1,786,315
2002	\$2,018,108

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.

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, which is \$200,000 per year of their outstanding deficit. As of June 30, 2004, South Point LSD has made all monetary payments required under this agreement.

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

5. CASH POSITION OF MEMBER SCHOOL DISTRICTS

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

Member District	2004	2003	2002
Adena LSD	\$39,167	\$70,113	(\$114,866)
Amanda Clearcreek LSD *	2,837	2,837	0
Blanchester LSD *	3,502	3,163	3,163
Bright LSD	(249,684)	(221,653)	(258,721)
Circleville CSD	(375,619)	(38,506)	9,713
Huntington LSD	476,819	433,099	260,682
Logan Elm LSD	(72,676)	11,867	(77,152)
Lynchburg-Clay LSD	66,524	(130,980)	(108,840)
Madison Plains LSD *	0	252,019	282,872
Paint Valley LSD	144,341	13,773	(45,078)
Pickaway-Ross JVSD	46,858	(47,895)	(18,026)
Ross-Pike ESD	303,171	363,087	329,791
Scioto Valley LSD	(235,769)	(157,374)	(104,495)
South Point LSD (See Note 4)	(282,855)	(482,855)	(683,142)
Teays Valley LSD	295,794	169,938	11,240
Union Scioto LSD	596,060	624,809	451,655
Westfall LSD	(10,796)	80,251	273,505
Zane Trace LSD	<u>(51,362)</u>	<u>49,400</u>	<u>8,320</u>
Total with Districts	\$696,312	\$995,093	\$220,621
Miscellaneous Fund	<u>0</u>	<u>0</u>	<u>26,545</u>
Consortium Cash Balance	<u>\$696,312</u>	<u>\$995,093</u>	<u>\$247,166</u>

* Indicates prior members that will be refunded amounts once the final reconciliation with PRM has been completed.

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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 45

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, 2004, and have issued our report thereon dated October 29, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*. However, we noted certain other immaterial instances of noncompliance that we have reported to management of the Consortium in a separate letter dated October 29, 2004.

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.

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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 the management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

October 29, 2004



**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 30, 2004**