



**Auditor of State  
Betty Montgomery**



TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM  
TRUMBULL COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

Trumbull County Schools Employee Insurance Benefit Consortium  
347 North Park Avenue  
Warren, Ohio 44481

To the Members of the Assembly and Executive Board:

We have audited the accompanying financial statements of the Trumbull County Schools Employee Insurance Benefit Consortium (the Consortium) as of and for the years ended June 30, 2003 and June 30, 2002. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on the 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 discussed in 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 balance of the Trumbull County Schools Employee Insurance Benefit Consortium, as of June 30, 2003 and June 30, 2002, and its cash receipts and cash 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 December 19, 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, and contracts. 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, Members of the Assembly and Executive Board, 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.

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

**Betty Montgomery**  
Auditor of State

December 19, 2003

**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM  
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND  
CHANGES IN FUND CASH BALANCE  
FOR THE YEAR ENDED JUNE 30, 2003**

**Cash Receipts:**

Contributions from Members	\$17,723,143
Earnings on Investments	<u>52,737</u>
Total Cash Receipts	17,775,880

**Cash Disbursements:**

Claims Payments	15,549,803
Administration Fees	127,388
Professional Fees	12,058
Miscellaneous Disbursements	<u>423</u>
Total Cash Disbursements	<u>15,689,672</u>

Excess of Cash Receipts Over Cash Disbursements	2,086,208
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Fund Cash Balance, July 1, 2002	<u>4,090,947</u>
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<b>Fund Cash Balances, June 30, 2003</b>	<b><u><u>\$6,177,155</u></u></b>
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*The notes to the financial statements are an integral part of this statement.*

**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM  
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Cash Receipts:</b>	
Contributions from Members	\$15,668,648
Earnings on Investments	<u>71,520</u>
Total Cash Receipts	15,740,168
<b>Cash Disbursements:</b>	
Claims Payments	14,862,420
Administration Fees	122,615
Professional Fees	24,181
Miscellaneous Disbursements	<u>794</u>
Total Cash Disbursements	<u>15,010,010</u>
Excess of Cash Receipts Over Cash Disbursements	730,158
Fund Cash Balance, July 1, 2001	<u>3,360,789</u>
<b>Fund Cash Balances, June 30, 2002</b>	<b><u><u>\$4,090,947</u></u></b>

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



**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM  
TRUMBULL COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Trumbull County Schools Employee Insurance Benefit Consortium (the Consortium) is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Council of Government (the Consortium) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council bylaws.

The governing body of the Consortium is an Assembly composed of the Superintendents of the members and any other representative of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of June 30, 2003 there were sixteen participating members of the Consortium. The Insurance Committee (Executive Board) shall function as the advisory body to the Assembly. It shall consist of five representatives of the members, four of whom shall be appointed by the President of the Trumbull County Superintendent's Association, and the fifth of whom shall be the Superintendent of the Fiscal Agent. The Trumbull County Educational Service Center shall serve as the Consortium's fiscal agent and the Treasurer of the Consortium shall be the Treasurer of the Fiscal Agent. The Consortium administers medical, prescription, dental, and vision benefit plans for employees of the participating school systems and their eligible dependents.

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and taxable money market funds are valued at cost.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM  
TRUMBULL COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. Budgetary Process**

The Consortium is not required to follow a budgetary process by law, but has incorporated in their by-laws that on or before November 30, a written estimate shall be submitted to the Assembly of the program costs for the ensuing fiscal year and the Members' shares of those program costs.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The carrying amount of the Consortium's cash and investments at June 30 was as follows:

	2003	2002
<b>Cash Deposits</b>		
Certificates of Deposit	\$650,000	\$503,054
<b>Investments</b>		
Money Market Funds	5,527,155	3,587,893
Total Deposits and Investments	\$6,177,155	\$4,090,947

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in money market funds are not evidenced by securities that exist in physical or book-entry form.

**3. RISK MANAGEMENT**

The Consortium contracts with third party administrators, Medical Mutual of Ohio and CoreSource of Columbus, to process and pay health claims and vision claims respectively incurred by its members. Members pay monthly premiums to the Consortium based upon an annual estimate determined by the Executive Board. The Fiscal Officer issues payments to the third party administrators for actual insurance claims processed, stop-loss premiums, and administrative charges.

The Consortium employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Consortium to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

An actuarial valuation of the health care plan is prepared annually under guidelines set forth in *Actuarial Standard of Practice No.5, Incurred Health Claims Liabilities* (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to estimate claims that have been incurred but not yet reported as of the valuation date and to compare this liability to funds reserved. The method and assumptions utilized for measuring an actuarial liability are critical to the determination as to whether funds reserved are adequate.

**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM  
TRUMBULL COUNTY**

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

**3. RISK MANAGEMENT**

A comparison of the Consortium's cash and investments to the actuarially-measured liability as of June 30 follows:

	<u><b>2003</b></u>	<u><b>2002</b></u>
Cash and investments	\$ 6,177,155	\$ 4,090,947
Actuarial liabilities	\$ 2,020,311	\$ 2,018,929

**4. CONTRACTED SERVICES**

The Consortium contracts with Watson Wyatt & Company to assist them with the annual renewals of its health and welfare plans. Watson Wyatt also helps the Consortium and its members with maintaining the current plan of benefits including design, claim adjudication, customer service, billing, and compliance issues. In addition, they review alternative plan designs and determine that claims are paid in accordance to specifications of the plans.

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**Auditor of State  
Betty Montgomery**

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

Trumbull County Schools Employee Insurance Benefit Consortium  
347 North Park Avenue  
Warren, Ohio 44481

To Members of the Assembly and Executive Board:

We have audited the accompanying financial statements of Trumbull County Schools Employee Insurance Benefit Consortium (the Consortium) as of and for the years ended June 30, 2003 and June 30, 2002, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted by 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, and contracts, noncompliance with which could have a direct and material effect on 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*.

**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.

This report is intended solely for the information and use of management and Members of the Assembly and Executive Board 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

December 19, 2003



**Auditor of State  
Betty Montgomery**

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**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM**

**TRUMBULL 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  
JANUARY 20, 2004**