



**Auditor of State
Betty Montgomery**

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended June 30, 2005 June 30, 2004 and June 30, 2003	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

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**Auditor of State
Betty Montgomery**

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Consortium to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 14, 2005

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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, 2005, 2004, and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Consortium has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Consortium to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2005. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Consortium has elected not to reformat its statements. Since this Consortium does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended June 30, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2005, or its changes in financial position for the year then ended.

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Also, 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, 2005, 2004, and 2003 and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion and Analysis for the year ended June 30, 2005. The Consortium has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, 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 grant agreements and other matters for the year ended June 30, 2005. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 14, 2005

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED JUNE 30, 2005, 2004 AND 2003**

	2005	2004	2003
Cash Receipts:			
Charges for Services	\$20,165,635	\$17,204,346	\$17,085,035
Earnings on Investments	9,495	7,545	12,347
Miscellaneous Receipts	<u>831,407</u>	<u>309,597</u>	<u>1,302,482</u>
Total Cash Receipts	<u>21,006,537</u>	<u>17,521,488</u>	<u>18,399,864</u>
Cash Disbursements:			
Purchased Services	1,679,732	1,539,053	1,893,300
Claims Payments	<u>16,475,252</u>	<u>16,023,363</u>	<u>15,758,637</u>
Total Cash Disbursements	<u>18,154,984</u>	<u>17,562,416</u>	<u>17,651,937</u>
Total Cash Receipts Over (Under) Cash Disbursements	2,851,553	(40,928)	747,927
Other Financing Sources (Uses)			
Refund of Prior Years Receipts	<u>0</u>	<u>(257,853)</u>	<u>0</u>
Total Other Financing Source (Uses)	<u>0</u>	<u>(257,853)</u>	<u>0</u>
Total Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	<u>2,851,553</u>	<u>(298,781)</u>	<u>747,927</u>
Beginning Cash Balance	<u>696,312</u>	<u>995,093</u>	<u>247,166</u>
Ending Cash Balance	<u>\$3,547,865</u>	<u>\$696,312</u>	<u>\$995,093</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, 2005, 2004 AND 2003**

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, 2005, 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 2005.

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>2005</u>	<u>2004</u>	<u>2003</u>
Demand deposits	\$3,547,865	\$696,312	\$943,574
Repurchase agreement	0	0	51,519
Total deposits and investments	<u>\$3,547,865</u>	<u>\$696,312</u>	<u>\$955,093</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, 2005, 2004 AND 2003
(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 (\$16,414,031)

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
2005	\$2,746,059
2004	\$2,303,079
2003	\$1,786,315

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.

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005, 2004 AND 2003
(Continued)**

4. CLAIMS LIABILITY (Continued)

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 continued to collect money from South Point LSD in accordance with an agreement. South Point LSD made their final required payment to the Consortium in the Fiscal year ending June 30, 2005, for a total \$239,000. However, the remaining deficit of the South Point Local School District will be absorbed and divided equally among the remaining member school districts in the Fiscal year ending June 30, 2006.

5. CASH POSITION OF MEMBER SCHOOL DISTRICTS

At June 30, members of the Consortium had the following respective cash position, including their respective portion of the Consortium's miscellaneous account.

Member District	2005	2004	2003
Adena LSD	\$(11,058)	\$39,167	\$70,113
Amanda Clearcreek LSD *	2,837	2,837	2,837
Blanchester LSD *	3,502	3,502	3,163
Bright LSD	(202,803)	(249,684)	(221,653)
Circleville CSD	177,200	(375,619)	(38,506)
Huntington LSD	788,192	476,819	433,099
Logan Elm LSD	58,243	(72,676)	11,867
Lynchburg-Clay LSD	287,830	66,524	(130,980)
Madison Plains LSD	0	0	252,019
Paint Valley LSD	376,777	144,341	13,773
Pickaway-Ross JVSD	(36,281)	46,858	(47,895)
Ross-Pike ESD	505,886	303,171	363,087
Southeastern LSD	(75,073)	(235,769)	(157,374)
South Point LSD (See Note 4)	(43,783)	(282,855)	(482,855)
Teays Valley LSD	726,937	295,794	169,938
Union Scioto LSD	917,281	596,060	624,809
Westfall LSD	49,140	(10,796)	80,251
Zane Trace LSD	<u>23,038</u>	<u>(51,362)</u>	<u>49,400</u>
Total	\$3,547,865	\$696,312	\$995,093

* 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the School Employees Insurance Consortium, Ross County, Ohio, (the Consortium) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 14, 2005, wherein we noted the Consortium followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Consortium's management dated October 14, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Consortium's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Consortium's management dated October 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

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School Employees Insurance Consortium
Ross County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for 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

October 14, 2005



**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 10, 2005**