

**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM**

TRUMBULL COUNTY, OHIO

**AUDITED
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEARS ENDED
JUNE 30, 2005 AND JUNE 30, 2004*

LORI SIMIONE, TREASURER



**Auditor of State
Betty Montgomery**

Members of the Assembly and Executive Board
Trumbull County Schools Employee Insurance Benefit Consortium
Warren, Ohio

We have reviewed the *Independent Auditor's Report* of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, prepared by Julian and Grube, Inc., for the audit period July 1, 2003 through June 30, 2005. 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 Trumbull County Schools Employee Insurance Benefit Consortium is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

April 5, 2006

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of the Assembly and Executive Board
Trumbull County Schools Employee Insurance Benefit Consortium
347 North Park Avenue
Warren, OH 44481

We have audited the accompanying financial statements of Trumbull County Schools Employee Insurance Benefit Consortium (the "Consortium"), Trumbull County, Ohio as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. 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 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 the 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 2, the Trumbull County Schools Employee Insurance Benefit Consortium prepares its financial statements and notes on the basis of cash receipts and disbursements ("cash basis"), 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 financial position of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, Ohio, as of June 30, 2005 and 2004, and the respective changes in financial position for the fiscal years then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 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 other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 5 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 7, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED**

The management's discussion and analysis of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal years 2005 and 2004, within the limitations of the Consortium's cash basis of accounting. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the notes to the basic financial statements and cash-basis financial statements to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlights for fiscal years 2005 and 2004 are as follows:

- In total, net cash assets were \$7,167,063 at June 30, 2005, which represents a 2.49% increase from fiscal 2004. Net cash assets at June 30, 2004 were \$6,993,084, which represents a 13.21% increase from fiscal 2003.
- The Consortium had operating cash receipts of \$15,936,966 and \$17,593,750 for fiscal year 2005 and 2004, respectively. The Consortium had operating cash disbursements of \$15,876,605 and \$16,844,682 for fiscal year 2005 and 2004, respectively. The Consortium also received \$113,618 and \$66,861 in interest income non-operating cash receipts during fiscal years 2005 and 2004, respectively. The total change in net cash assets for fiscal year 2005 and 2004 was an increase of \$173,979 and \$815,929, respectively.

Using these Cash-Basis Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Consortium's cash basis of accounting. 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 Assets –Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets* provide information about the activities of the Consortium.

Reporting the Consortium Financial Activities

Statement of Net Assets –Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets

These documents look at all financial transactions and ask the question, "How did we do financially during 2005 and 2004?" The Statement of Net Assets - Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets - answers this question.

These statements include *only net cash assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the Consortium's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Consortium as a whole, the cash basis financial position of the Consortium has improved or diminished.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as claims payable) are not recorded in these cash-basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The table below provides a summary of the Consortium's net cash assets at June 30, 2005 and 2004.

	Net Assets	
	2005	2004
<u>Assets</u>		
Equity in pooled cash and investments	\$ 7,167,063	\$ 6,993,084
Total assets	7,167,063	6,993,084
<u>Net Cash Assets</u>		
Unrestricted	7,167,063	6,993,084
Total net cash assets	\$ 7,167,063	\$ 6,993,084

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005 and June 30, 2004, the Consortium's net cash assets totaled \$7,167,063 and \$6,993,084, respectively.

The table below shows the changes in net cash assets for fiscal years 2005 and 2004.

	Change in Net Cash Assets	
	2005	2004
<u>Operating cash receipts:</u>		
Contributions from members	\$ 15,936,966	\$ 17,593,750
Total operating cash receipts	15,936,966	17,593,750
<u>Operating cash disbursements:</u>		
Claims	15,736,348	16,674,962
Administrative fees	132,160	150,860
Professional fees	7,821	17,929
Miscellaneous	276	931
Total operating cash disbursements	15,876,605	16,844,682
<u>Non-operating cash receipts:</u>		
Interest income	113,618	66,861
Total non-operating cash receipts	113,618	66,861
Change in net cash assets	173,979	815,929
Net cash assets at beginning of year	6,993,084	6,177,155
Net cash assets at end of year	\$ 7,167,063	\$ 6,993,084

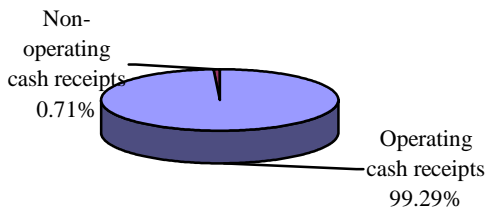
**TRUMBULL COUNTY SCHOOLS EMPLOYEE
INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED**

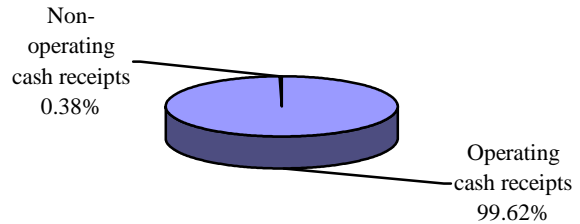
For fiscal year 2005, operating cash receipts and operating cash disbursements decreased 9.42% and 5.75%, respectively, over fiscal year 2004. The operating cash receipts and disbursements decreased due to premium holidays, which were granted to member districts because of favorable claims experience. Reduced claims expense is reflected in decreased operating cash disbursements.

The charts below illustrate the cash receipts and disbursements for the Consortium for fiscal years 2005 and 2004.

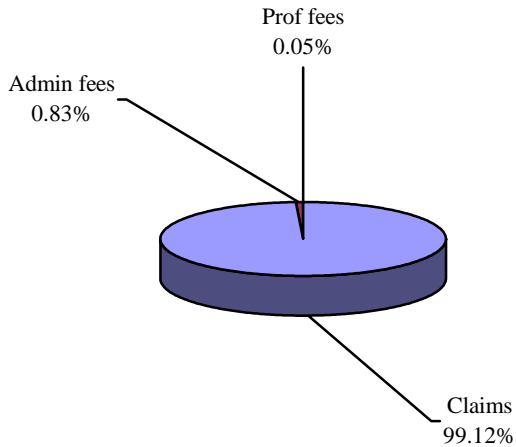
2005 Cash Receipts



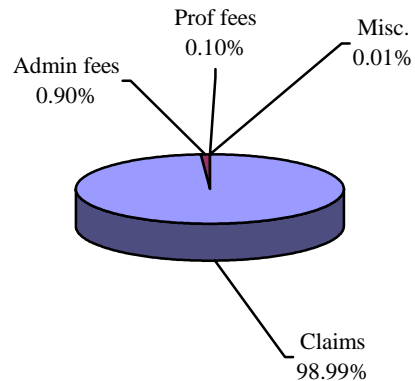
2004 Cash Receipts



2005 Operating Cash Disbursements



2004 Operating Cash Disbursements



Current Financial Related Activities

The Consortium is a not-for-profit insurance consortium owned and operated by sixteen school districts in Trumbull County, Ohio. The Consortium's main source of revenue is premiums paid by the member school districts. The Consortium also receives interest revenue through investments.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED**

The Consortium is committed to providing its member districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. 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.

The consortium requires its members to participate in the medical/prescription insurance program, with individual district choice as to participation in the dental, vision, and life programs. The Consortium Board of Directors and its consultant, Watson Wyatt, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for consortium members.

Establishing premiums that satisfy all claims, administration fees, and other expenses of the Consortium, in addition to enhancing the net assets position is important for the short-term and long-term interests of the consortium.

The most significant challenge facing the Consortium Board is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the participating districts together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 1,700 covered employees, in lieu of each individual district independently entering the insurance marketplace. As the claims costs for medical and prescription drug continue to escalate, the Board is faced with the unenviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio's public school districts. This is much the same as the dilemma facing American businesses today, and is complicated by the fact that each School District in the Consortium must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Consortium and its Board of Directors, and the future looks better from the collective, as opposed to individual, view of the sixteen (16) participating districts.

Contacting the Consortium's Financial Management

This financial report is designed to provide our member districts and citizens 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: Mrs. Lori Simione, Treasurer, Trumbull County Schools Employee Insurance Benefit Consortium, 347 North Park Avenue, Warren, Ohio 44481.

**CASH BASIS
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005

Assets:	
Equity in pooled cash and investments	\$ <u>7,167,063</u>
 Total assets.	 \$ <u>7,167,063</u>
 Net Cash Assets:	
Unrestricted.	\$ <u>7,167,063</u>
 Total net cash assets.	 \$ <u>7,167,063</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2004

Assets:	
Equity in pooled cash and investments	\$ <u>6,993,084</u>
Total assets.	\$ <u>6,993,084</u>
 Net Cash Assets:	
Unrestricted.	\$ <u>6,993,084</u>
Total cash net assets.	\$ <u>6,993,084</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Operating cash receipts:	
Contributions from members.	\$ 15,936,966
Total operating cash receipts.	<u>15,936,966</u>
 Operating cash disbursements:	
Claims	15,736,348
Administrative fees.	132,160
Professional fees	7,821
Miscellaneous	<u>276</u>
Total operating cash disbursements	<u>15,876,605</u>
 Excess of operating cash receipts over operating cash disbursements.	 <u>60,361</u>
 Non-operating cash receipts:	
Interest income	<u>113,618</u>
Total non-operating cash receipts.	<u>113,618</u>
 Change in cash net assets.	 173,979
 Net cash assets at beginning of year.	 <u>6,993,084</u>
Net cash assets at end of year	<u><u>\$ 7,167,063</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Operating cash receipts:	
Contributions from members.	\$ 17,593,750
Total operating cash receipts.	<u>17,593,750</u>
Operating cash disbursements:	
Claims	16,674,962
Administrative fees	150,860
Professional fees.	17,929
Miscellaneous	931
Total operating cash disbursements	<u>16,844,682</u>
Excess of operating cash receipts over operating cash disbursements.	<u>749,068</u>
Non-operating cash receipts:	
Interest income	<u>66,861</u>
Total non-operating cash receipts	<u>66,861</u>
Change in cash net assets	815,929
Net cash assets at beginning of year	<u>6,177,155</u>
Net cash assets at end of year.	<u><u>\$ 6,993,084</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

The Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, (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 and amended by GASB Statement No. 30. 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, 2005, 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 cash basis financial statements present all activities for which the Consortium is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Basis of Presentation

For fiscal years ended 2005 and 2004, the Consortium has implemented the GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" format.

The Consortium's financial statements consist of a statement of net assets and statement of cash receipts, cash disbursements and changes in net cash assets.

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

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

B. Basis of Accounting

The Consortium's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Consortium's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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.

Operating revenues are those revenues that are generated directly from the primary activity of the Consortium. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Consortium. All revenues and expenses not meeting this definition are reported as non-operating.

C. Cash and Investments

Investments are report 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. Money market funds and federal agency securities are valued at cost.

D. Budgetary Process

The Consortium is not required to follow the budgetary process by law, but incorporated in the bylaws 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.

E. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Consortium had no restricted net assets as fiscal year end.

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal years 2005 and 2004, the Consortium has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Consortium; however, note disclosures in Note 4 have been revised to reflect this implementation.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Consortium into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Consortium treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Assembly has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Consortium's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Consortium, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2005, the Consortium had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Cost</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Money Market	\$ 4,324,594	\$ 4,324,594	\$ -	\$ -	\$ -
FNMA	297,000	-	-	-	297,000
FHLB	2,545,469	1,295,000	1,250,469	-	-
	<u>\$ 7,167,063</u>	<u>\$ 5,619,594</u>	<u>\$ 1,250,469</u>	<u>\$ -</u>	<u>\$ 297,000</u>

The weighted average maturity of investments at June 30, 2005, is .23 years.

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

As of June 30, 2004, the Consortium had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Cost</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Money Market	\$ 4,247,678	\$ 4,247,678	\$ -	\$ -	\$ -
FHLMC	500,000	-	-	-	500,000
FHLB	2,245,406	-	199,937	1,295,000	750,469
	<u>\$ 6,993,084</u>	<u>\$ 4,247,678</u>	<u>\$ 199,937</u>	<u>\$ 1,295,000</u>	<u>\$ 1,250,469</u>

The weighted average maturity of investments at June 30, 2004, is .55 years.

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 Consortium's investments, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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 June 30:

<u>Investment type</u>	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Fair Value</u>	<u>% of Total</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market	\$ 4,324,594	60.34	\$ 4,247,678	60.74
FHLMC	-	-	500,000	7.15
FNMA	297,000	4.14	-	-
FHLB	2,545,469	35.52	2,245,406	32.11
	<u>\$ 7,167,063</u>	<u>100.00</u>	<u>\$ 6,993,084</u>	<u>100.00</u>

NOTE 5 - 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.

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 5 - RISK MANAGEMENT - (Continued)

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 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 are adequate.

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cash and Investments	\$7,167,063	\$6,993,084
Actuarial liabilities	\$1,763,908	\$2,082,146

NOTE 6 - CONTRACTED SERVICES

The Consortium contracts with Watson Wyatt & Company to assist them with the annual renewals of its health and welfare plans. Watson Wyatt & Company 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 design and determine that claims are paid in accordance to specifications of the plan.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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*

Members of the Assembly and Executive Board
Trumbull County Schools Employee Insurance Benefit Consortium
347 North Park Avenue
Warren, OH 44481

We have audited the financial statements of the Trumbull County Schools Employee Insurance Benefit Consortium (the "Consortium") as of and for the fiscal years ended June 30, 2005 and 2004, and have issued our report thereon dated December 7, 2005, wherein we noted the Consortium prepared its financial on the cash basis, a comprehensive basis of accounting other 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 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 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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Members of the Assembly and Executive Board of the Consortium and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
December 7, 2005



**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
APRIL 17, 2006**