



**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007



Mary Taylor, CPA

Auditor of State

Board of Trustees
Ohio Employee Benefits Consortium
4445 Mahoning Avenue NW
Warren, Ohio 44483

We have reviewed the *Independent Accountants' Report* of the Ohio Employee Benefits Consortium, Trumbull County, prepared by Canter & Associates, for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Ohio Employee Benefits Consortium is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2010

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**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY, OHIO**

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INDEPENDENT ACCOUNTANTS' REPORT

Ohio Employee Benefits Consortium
Trumbull County, Ohio
4445 Mahoning Ave., NW
Warren, Ohio 44483

To the Board of Trustees:

We have audited the accompanying financial statements of the Ohio Employee Benefits Consortium (the Consortium) as of and for the years ended December 31, 2008 and 2007. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also reporting the Consortium's larger (i.e. major) funds separately. While the Consortium does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Consortium to reformat their statements. The Consortium has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 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 December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Ohio Employee Benefits Consortium, as of December 31, 2008 and 2007, and its combined 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 years ended December 31, 2008 and 2007. 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 June 8, 2010, 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. 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.



Canter & Associates

June 8, 2010

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>
Cash Receipts:	
Receipts from Members	\$1,616,708
Administration Fees	40,418
Earnings on Investments	3,974
	<hr/>
Total Cash Receipts	1,661,100
	<hr/>
Cash Disbursements:	
Payments to Third-Party Administrator:	
Claim Payments	1,023,113
Administrative Fees	184,058
Stop-Loss Insurance Premiums	221,535
Professional Fees	19,961
Miscellaneous Other Costs	17,557
	<hr/>
Total Cash Disbursements	1,466,224
	<hr/>
Total Receipts Over/(Under) Disbursements	194,876
	<hr/>
Fund Cash Balances, January 1	262,864
	<hr/>
Fund Cash Balances, December 31	<u><u>\$457,740</u></u>

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

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>
Cash Receipts:	
Receipts from Members	\$1,564,056
Administration Fees	38,758
Miscellaneous	5,552
	<hr/>
Total Cash Receipts	1,608,366
	<hr/>
Cash Disbursements:	
Payments to Third-Party Administrator:	
Claim Payments	979,575
Administrative Fees	171,300
Stop-Loss Insurance Premiums	175,167
Professional Fees	11,624
Miscellaneous Other Costs	7,836
	<hr/>
Total Cash Disbursements	1,345,502
	<hr/>
Total Receipts Over/(Under) Disbursements	262,864
	<hr/>
Fund Cash Balances, January 1	0
	<hr/>
Fund Cash Balances, December 31	<u><u>\$262,864</u></u>

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

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio Employee Benefits Consortium, Ohio (the Consortium) is a Library self-insurance program consortium established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. The purpose of the Consortium is to establish and maintain a fund to which the Consortium Members will contribute, to be used to provide and/or purchase medical, prescription drug, vision, dental, life and/or other insurance benefits for Employees and their eligible dependents and designated beneficiaries. The members of the Consortium include academic, public, school, special, institutional, and other libraries and information centers located in the following counties within the State of Ohio: Ashland, Ashtabula, Carroll, Columbiana, Coshocton, Cuyahoga, Erie, Geauga, Harrison, Holmes, Knox, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas and Wayne.

The Board of Trustees of the Northeast Ohio Regional Library System shall be the members of the Board of Trustees of the Consortium. All members of the Board of Trustees serve without compensation.

Member premiums are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Consortium and to create adequate reserves for claims and allocated loss adjustment expenses.

Under the terms of membership, should annual member premiums not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Consortium and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Members withdrawing from the Consortium must notify the fiscal agent at least 180 days prior to the effective date of the withdrawal. Any member wishing to withdraw is also responsible for all premium payments for the benefit program and all other payments required until the effective date of withdrawal.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Consortium recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

C. Fund Accounting

The Consortium uses fund accounting to segregate cash and investments that are restricted as to use. The Consortium maintains a general fund to account for its expendable financial resources and related current expenses.

D. Cash and Investments

The Consortium's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

E. Budgetary Process

The Consortium is not required to follow the budgetary process but has decided to adopt a formal budget annually as part of their agreement.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Consortium does not reserve encumbrances.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Consortium maintains a cash and investments pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$457,740	\$262,864

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Consortium.

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,693,077	\$1,661,100	(\$31,977)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,590,192	\$1,466,224	\$123,968

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,608,421	\$1,608,366	(\$55)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,345,502	\$1,345,502	\$0

4. RISK MANAGEMENT

The Consortium contracted with a third-party administrator, Medical Mutual of Ohio to process and pay health benefit claims incurred by its members. The members contribute monthly premiums into the benefit pool fund of the Consortium. The Treasurer approves payments to the third-party administrator for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Consortium members. Besides the standard monthly contributions, the Consortium may extend an assessment to each member.

Member libraries that withdraw from the Consortium are obligated for payment of any negative balance in their account and the remaining claims of any of its eligible members and dependents are the responsibility of each individual member upon withdrawal from the Consortium.

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

5. CLAIMS LIABILITY

Under Ohio Revised Code Section 9.833, the Consortium is required to contract with a member of the American Academy of Actuaries to compute an actuarial liability as of the last day of the fiscal year and to prepare a report within 90 days of fiscal year end listing the actuarial liability as of the last day of the fiscal year. The Consortium did not contract with an actuary in 2008 or 2007 to calculate incurred but not reported (IBNR) claims.

6. PROFESSIONAL FEES

The Consortium has contracted with Medical Mutual of Ohio, Herbruck Alder and Benefit Designs to provide various management, underwriting, claim adjustments and loss control services. Herbruck Alder was utilized for 2007 and the first part of 2008, however, the Consortium switched to Benefit Designs in the fall of 2008 for these services.

7. COMPLIANCE

The Consortium failed to properly comply with Ohio Revised Code Section 9.833, which requires subdivisions with significant self-insurance commitments to have an actuary measure their liability annually. The Consortium is also required to prepare and present a comparison of assets with actuarial liabilities in the notes to the financial statements. The Consortium did not contract with a member of the American Academy of Actuaries to help compute an actuarial liability for the year ended December 31, 2008 or December 31, 2007.



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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***

Ohio Employee Benefits Consortium
Trumbull County
4445 Mahoning Ave., NW
Warren, OH. 44483

To the Board of Trustees:

We have audited the financial statements of the Ohio Employee Benefits Consortium, (the Consortium) as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated June 8, 2010, 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 *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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Consortium's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain matters not requiring inclusion in this report that we reported to management of the Consortium in a separate letter dated June 8, 2010.

The Consortium's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Consortium's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

Canter & Associates



Poland, Ohio

June 8, 2010

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS

***FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE
REPORTED IN ACCORDANCE WITH GAGAS***

FINDING NUMBER 2007-001

Material Noncompliance:

Ohio Revised Code § 9.833 requires subdivisions with significant self-insurance commitments to have an actuary measure their liability annually. The Consortium is also required to prepare and present a comparison of assets with actuarial liabilities in the notes to the financial statements. The Consortium did not contract with a member of the American Academy of Actuaries to help compute an actuarial liability for the year ended December 31, 2008 or December 31, 2007.

We recommend the Consortium contract with a member of the American Academy of Actuaries to comply with Ohio Revised Code compliance requirements going forward.

Management's Response: The Consortium was started January 1, 2007 and was unaware of this requirement. Now that they are aware they will contract with a member of the American Academy of Actuaries to comply with the Ohio Revised Code requirements going forward.



Mary Taylor, CPA
Auditor of State

OHIO EMPLOYEE BENEFITS 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
JULY 8, 2010**