

East Ohio Schools Employees Insurance Consortium

TUSCARAWAS COUNTY, OHIO

AUDIT REPORT

For the Years Ended September 30, 2010 and 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Directors
East Ohio Schools Employees Insurance Consortium
219 W. 6th Street
Dover, Ohio 44622

We have reviewed the *Report of Independent Accountants* of the East Ohio Schools Employees Insurance Consortium, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period October 1, 2009 through September 30, 2010. 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 East Ohio Schools Employees Insurance Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 31, 2011

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East Ohio Schools Employees Insurance Consortium
TUSCARAWAS COUNTY, OHIO
Audit Report
For the Years Ended September 30, 2010 and 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

East Ohio Schools Employees Insurance Consortium
219 W. 6th Street
Dover, OH 44622

To the Board of Directors:

We have audited the financial statements of the East Ohio Schools Employees Insurance Consortium (the Consortium), Tuscarawas County as of and for the years ended September 30, 2010 and 2009, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Ohio Schools Employee Insurance Consortium, Tuscarawas County, as of September 30, 2010 and 2009, and the results of its operations and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note F, on August 4, 2010, the Board of Directors took action to permanently cease contributions to the Consortium's trust effective October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2011, on our consideration of the Consortium internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the East Ohio Schools Employee Insurance Consortium, Tuscarawas County. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is required by GASB Cod. Po20.149. Such information has been subjected to the auditing procedures applied to the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris, Associate

CHARLES E. HARRIS & ASSOCIATES, INC.
February 28, 2011

**East Ohio Schools Employee Insurance Consortium
Management's Discussion and Analysis
For the Years Ended September 30, 2010 and 2009
Unaudited**

The discussion and analysis of East Ohio Schools Employee Insurance Consortium financial performance provides an overall review of East Ohio Schools Employee Insurance Consortium for the year ended September 30, 2010. The intent of this discussion and analysis is to review East Ohio Schools Employee Insurance Consortium performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of East Ohio Schools Employee Insurance Consortium performance.

Financial Highlights

Key financial highlights for the period ending September 30, 2010 and 2009 are as follows:

- Cash and Cash Equivalents have increased 29% over the past two years rising from \$3,015,686 as of September 30, 2008 to \$3,895,878 as of September 30, 2010.
- Operating in an environment of rising health care costs, East Ohio Schools Employee Insurance Consortium claim expense stayed consistent, rising less than 1% from \$4,635,464 to \$4,654,298 for the periods ending September 30, 2008 and 2009, respectively. Claim expense for the period ending September 30, 2010 decreased 6% from the previous year to \$4,376,819.
- The Consortium's maximum liability per participant for the plan years ending September 30, 2010, 2009, and 2008 was \$35,000. Four claimants exceeded the limit for each of the plan years.
- Carrier premiums decreased by approximately \$27,800 and PPO fees decreased by approximately \$26,200 from the period ending September 30, 2008 to September 30, 2010. OME-RESA fees to maintain membership have increased approximately \$370,800 over the same time span. All aggregated expenses other than claim expense increased approximately \$300,000.

Using the Basic Financial Statements

This annual report consists of financial statements and notes to those statements. The statements are organized so the reader can understand East Ohio Schools Employee Insurance Consortium as a financial whole. The Consortium's basis of accounting for reporting transactions is accrual.

**East Ohio Schools Employee Insurance Consortium
Management's Discussion and Analysis
For the Years Ended September 30, 2010 and 2009
Unaudited**

STATEMENT OF CHANGES IN TRUST EQUITY

	For the years ended September 30,		
	2010	2009	2008
<u>REVENUE</u>			
Employer Premium Billings	\$6,480,719	\$6,331,547	\$6,328,524
COBRA	9,596	8,876	10,608
Interest Income	72,154	72,343	97,669
Miscellaneous Income	1,000	6,955	761
Total Revenue	6,563,469	6,419,721	6,437,562
<u>BENEFIT PLAN EXPENSES</u>			
Carrier Premiums	61,669	79,115	89,487
Utilization Review - Advocare	12,566	13,383	13,675
Klais Administration Fees	120,243	129,728	130,961
Medical Mutual of Ohio Fees	95,336	114,511	121,560
Printing	243	1,057	1,070
Professional Fees	9,039	11,090	14,685
OME-RESA Fees	1,374,195	1,160,754	1,003,373
Bank Fees	0	844	0
Postage	631	620	634
Claims Account Expense	4,376,819	4,654,298	4,635,464
Change in claims incurred but not reported	(306,000)	(3,000)	122,000
Total Benefit Plan Expenses	5,744,741	6,162,400	6,132,909
CHANGES IN NET ASSETS	\$ 818,728	\$ 257,321	\$ 304,653

**East Ohio Schools Employee Insurance Consortium
Management's Discussion and Analysis
For the Years Ended September 30, 2010 and 2009
Unaudited**

BALANCE SHEET

	For the years ended September 30,		
	2010	2009	2008
<u>ASSETS</u>			
Current Assets			
Cash and Equivalents	\$ 3,895,878	\$ 3,579,189	\$ 3,015,686
Accounts Receivable	183,524	148,452	298,917
Total Assets	4,079,402	3,727,641	3,314,603
 <u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	-	160,967	2,250
Liability for Claims Incurred But Not Reported	401,000	707,000	710,000
Total Liabilities	401,000	867,967	712,250
 <u>NET ASSETS</u>	 3,678,402	 2,859,674	 2,602,353
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,079,402	 \$ 3,727,641	 \$ 3,314,603

After eight years in existence, the Consortium has been able to build a sizable reserve of \$3,678,402, committed to building reserves despite rising health care costs.

Current Issues

On August 4, 2010, the Board of Directors took action to terminate and permanently cease making contributions to the East Ohio Schools Employees Insurance Consortium Health and Welfare Trust effective October 1, 2010. The Board also agreed that any and all remaining reserves available after payment of appropriate run-out claims would be distributed among the consortium member schools on a percentage basis.

**East Ohio Schools Employee Insurance Consortium
Management's Discussion and Analysis
For the Years Ended September 30, 2010 and 2009
Unaudited**

Contacting East Ohio Schools Employee Insurance Consortium's Financial Management

This financial report is designed to provide our beneficiaries with a general overview of East Ohio Schools Employee Insurance Consortium's finances and to reflect the Consortium's accountability for the taxpayer monies that it receives from its member school districts. Questions concerning any of the information in this report or requests for additional information should be directed to James R. Mendiola, Vice President Finance/MIS, Klais and Company, Inc, 1867 West Market Street, Akron, OH 44313.

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY
BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009**

	2010	2009
<u>Assets</u>		
Cash and Cash Equivalents	\$ 3,895,878	\$ 3,579,189
Accounts Receivable (no allowance considered necessary)	183,524	148,452
	\$ 4,079,402	\$ 3,727,641
 <u>Liabilities</u>		
Current liabilities		
Accounts Payable	\$ -	\$ 160,967
Liability for claims incurred but not reported	401,000	707,000
	401,000	867,967
 NET ASSETS		
Unreserved	3,678,402	2,859,674
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,079,402	 \$ 3,727,641

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

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009
<u>OPERATING REVENUES:</u>		
Employer premium billing	\$ 6,480,719	\$ 6,331,547
Cobra contributions	9,596	8,876
Interest Income	72,154	72,343
Miscellaneous Income	1,000	6,955
TOTAL OPERATING REVENUES	6,563,469	6,419,721
<u>OPERATING EXPENSES:</u>		
Claims paid	4,376,819	4,654,298
Insurance Premium for coverage	61,669	79,115
Administrative fees	1,602,971	1,420,898
Professional fees	9,039	11,089
Printing fees	243	-
Change in claims incurred but not reported	(306,000)	(3,000)
TOTAL OPERATING EXPENSES	5,744,741	6,162,400
Changes in Net Assets	818,728	257,321
Net Assets, Beginning of Year	2,859,674	2,602,353
Net Assets, End of Year	\$ 3,678,402	\$ 2,859,674

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

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received for premiums and other operating revenue	\$ 6,528,397	\$ 6,570,186
Cash paid for premiums and claims	(4,744,731)	(4,737,471)
Cash paid to vendors for services	<u>(1,466,977)</u>	<u>(1,269,212)</u>
Cash provided by operating activities	<u>316,689</u>	<u>563,503</u>
Net increase in cash and cash equivalents	316,689	563,503
Cash and cash equivalents, beginning of year	<u>3,579,189</u>	<u>3,015,686</u>
Cash and cash equivalents, end of year	<u>\$ 3,895,878</u>	<u>\$ 3,579,189</u>
Cash flows from operating activities:		
Change in Net Assets	\$ 818,728	\$ 257,321
Changes in operating assets and liabilities:		
Accounts receivable	(35,072)	150,465
Accounts payable	(160,967)	158,717
Liability for claims incurred but not reported	<u>(306,000)</u>	<u>(3,000)</u>
Cash provided by operating activities	<u>316,689</u>	<u>563,503</u>
Net cash used in operating activities	<u>\$ 316,689</u>	<u>\$ 563,503</u>

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

East Ohio Schools Employees Insurance Consortium
Tuscarawas County
Notes to the Financial Statements
For the years ended September 30, 2010 and 2009

A. DESCRIPTION OF THE ENTITY

The East Ohio Schools Employees Insurance Consortium (the "Consortium") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Consortium was established on October 1, 2002, formed by the Boards of Education of several school districts in East Ohio, for the purposes of maximizing benefits and/or reducing costs of health, dental, life and/or other group insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees.

Some of the more significant provisions of the Consortium are as follows:

Board of Directors - The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee, to be its representative on the Consortium's Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors sets and approves all benefit programs to be offered by or through the Consortium, and all policies and other contracts that are accepted or entered into by the Consortium. The Board of Directors sets all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors has the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

Executive Committee - The Executive Committee consists of three members of the Board of Directors. The Executive Committee has the full powers of the Board of Directors to manage and conduct affairs of the Consortium between meetings of the Board of Directors. The Executive Committee is specifically authorized and directed to review and decide all appeals and challenges by employees, their eligible dependents and designated beneficiaries of adverse determinations by the Claim Administrator or care or coverage under benefit programs offered by the Consortium. The Executive Committee shall have the discretion to determine eligibility for care, coverage or benefits and to interpret the terms of benefit programs offered by the Consortium. The Board of Directors may ratify any action authorized or taken by the Executive Committee or may rescind and overrule any such action.

Enrollment by Member Districts - Each District decides which benefit program(s) offered by or through the Consortium shall be extended to its employees. Upon joining the Consortium, each Member District is required to enroll in a health benefit program (except as otherwise agreed by at least two-thirds of the Board of Directors).

Consortium Fund - The Consortium Fund consists of all payments made to the Claims Administrator in accordance with the Consortium Agreement, policy dividends or rate refunds (whether received by the Consortium or left with the insurance carriers to accumulate with interest), investments made by the Claim Administrator on behalf of the Consortium and income there from, and any other money or property which shall come into the hands of the Consortium in connection with the administration of benefit programs and the Consortium.

East Ohio Schools Employees Insurance Consortium
Tuscarawas County
Notes to the Financial Statements
For the years ended September 30, 2010 and 2009

A. DESCRIPTION OF THE ENTITY (continued)

The Claims Administrator may use the Consortium Fund for purposes such as but not limited to:

1. To pay all expenses which the Directors consider necessary in establishing and administering the Consortium and the benefit programs being offered by or through the Consortium;
2. To pay premiums on the Policies issued to the Consortium;
3. To make investments in accordance with the Agreement;
4. To make refunds to Consortium Members; and
5. To provide and/or purchase health insurance, life insurance, dental insurance and/or other insurance benefits.

Termination / Withdrawal of a Consortium Member - It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Chairman at least one hundred eighty (180) days prior to the effective date of withdrawal. Any Consortium member wishing to withdraw shall be responsible for all premium payments for the benefit program(s) in which such Consortium member is enrolled and all other payments required by the Consortium Agreement until the effective date of withdrawal.

Contributions - Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions are included in the payments from such District Member to the Claim Administrator for the benefit program. Contributions required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled are to be submitted by each District Member to the Claims Administrator on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally among the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Claim Administrator that such payment is due.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting/Measurement Focus - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

East Ohio Schools Employees Insurance Consortium
Tuscarawas County
Notes to the Financial Statements
For the years ended September 30, 2010 and 2009

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Consortium's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the consortium's operations are included on the balance sheets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Consortium distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants contributions for insurance coverage. Operating expenses for the Consortium include the payment of claims, carrier stop loss premiums and administrative and other fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - The Consortium has established a reserve fund with OME-RESA. The cash balance related to this reserve was \$2,987,611 and \$2,672,258 at September 30, 2010 and 2009, respectively. OME-RESA Health Benefits maintains these funds at two different banks in CD's that sweep; therefore the balance is currently insured to a maximum of \$500,000. During the fiscal years ended September 30, 2010 and 2009, the Consortium had uninsured cash balances at banking institutions, however management has not experienced losses related to cash.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require the Directors to make estimates and assumptions that affect the reported amounts of Consortium assets, liabilities, and benefit obligations, and the reported increases and reductions of Consortium assets during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts from the prior year have been reclassified to conform to more accurate presentation.

C. ADMINISTRATIVE FEES

The Consortium has contracted with Klais and Company (Claims Administrator) to provide claims processing, payment and/or administrative services in connection with the benefit programs being offered by or through the consortium. Fees for these services were \$120,243 and \$129,728 for the years ended September 30, 2010 and 2009, respectively.

D. RISK MANAGEMENT

No employer, employee, or person claiming benefits by or through an employee shall have any claim against the Consortium or any property of the Consortium. The rights and interest of employees and persons claiming by or through employees shall be limited to the receipt of benefits offered by or through the Consortium in accordance with the Consortium Agreement.

Any consortium Member who withdraws from the Consortium pursuant to the Consortium Agreement has no claim to the Consortium's assets.

East Ohio Schools Employees Insurance Consortium
Tuscarawas County
Notes to the Financial Statements
For the years ended September 30, 2010 and 2009

E. UNPAID CLAIMS LIABILITIES

The Consortium establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

	<u>2010</u>	<u>2009</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 707,000	\$ 710,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	4,110,540	4,637,049
Decreases in provision for insured events of prior years	<u>(39,721)</u>	<u>14,249</u>
Total incurred claims and claim adjustment expenses	\$ 4,070,819	\$ 4,651,298
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	\$ (3,728,618)	\$ (4,005,656)
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(648,201)</u>	<u>(648,642)</u>
Total Payments	<u>(4,376,819)</u>	<u>(4,654,298)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 401,000</u>	<u>\$ 707,000</u>

F. CURRENT ISSUES

On August 4, 2010, the Board of Directors took action to terminate and permanently cease making contributions to the East Ohio Schools Employees Insurance Consortium Health and Welfare Trust effective October 1, 2010. The Board also agreed that any and all remaining reserves available after payment of appropriate run-out claims would be distributed among the consortium member schools on a percentage basis.

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
 REQUIRED SUPPLEMENTAL INFORMATION
 CLAIMS DEVELOPMENT INFORMATION

<u>Fiscal and Policy Year Ended</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>9/30/2004</u>
1. Net earned required contribution and investment revenues	\$ 6,563,469	\$ 6,419,721	\$ 6,437,562	\$ 6,141,568	\$ 5,799,690	\$ 5,240,410	\$ 5,246,993
2. Unallocated expenses	1,612,253	1,431,987	1,283,709	1,190,449	969,573	325,674	236,550
3. Estimated incurred claims and expense, end of policy year	4,110,540	4,637,049	4,734,003	4,105,786	4,090,064	4,562,248	3,778,364
4. Paid (cumulative) as of:							
End of policy year	3,728,618	4,005,656	4,103,528	3,593,939	3,739,600	3,977,799	3,413,342
One year later		4,652,490	4,738,307	4,125,974	4,114,330	4,478,273	3,764,666
Two years later			4,739,674	4,139,837	4,114,231	4,500,378	3,763,260
Three years later				4,139,837	4,114,231	4,500,378	3,763,260
Four years later					4,114,231	4,500,378	3,763,260
Five years later						4,500,378	3,763,260
Six years later							3,763,260
5. Re-estimated incurred claims and expense:							
End of policy year	4,110,540	4,637,049	4,734,003	4,105,786	4,090,064	4,562,248	3,778,364
One year later		4,595,961	4,734,389	4,129,346	4,115,947	4,496,630	3,767,445
Two years later			4,735,756	4,143,209	4,115,848	4,518,735	3,766,039
Three years later				4,143,209	4,115,848	4,518,735	3,766,039
Four years later					4,115,848	4,518,735	3,766,039
Five years later						4,518,735	3,766,039
Six years later							3,766,039
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	0	(41,088)	1,753	37,423	25,784	(43,513)	(12,325)

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

East Ohio Schools Employees Insurance Consortium
219 W 6th Street
Dover, OH 44622

To the Board of Directors:

We have audited the financial statements of East Ohio Schools Employees Insurance Consortium, Tuscarawas County (the Consortium) as of and for the year ended September 30, 2010, and have issued our report thereon dated February 28, 2011. 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 Controls 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 opining 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Consortium's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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 grants 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors and others within the Consortium. We intend it for no one other than these specified parties.

Charles E. Harris

CHARLES E. HARRIS & ASSOCIATES, INC.
February 28, 2011

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY, OHIO
For the Year Ended September 30, 2010**

Status of Prior Audit Findings

The prior audit report, for the year ended September 30, 2009, reported no material citations or recommendations.



Dave Yost • Auditor of State

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM

TUSCARAWAS 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 14, 2011**