



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 & 2009



Dave Yost • Auditor of State

Board of Trustees
Ohio Employee Benefits Consortium
4445 Mahoning Ave 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, 2009 through December 31, 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.

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.

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

Dave Yost
Auditor of State

May 23, 2011

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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, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 March 31, 2011, 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

March 31, 2011

**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, 2010**

	<u>2010</u>
Cash Receipts:	
Receipts from Members	\$1,344,076
Administration Fees	21,237
Earnings on Investments	5,414
Miscellaneous	<u>13,152</u>
Total Cash Receipts	<u>1,383,879</u>
Cash Disbursements:	
Payments to Third-Party Administrator:	
Claim Payments	1,183,674
Administrative Fees	81,717
Specific Stop-Loss Insurance Premiums	104,503
Aggregate Stop Loss	25,088
Travel Expenses	498
Postage Charges	600
Insurance Liability	4,991
Legal Fees	1,135
Auditor Fees	5,026
Management Consulting	15,050
Miscellaneous Other Costs	<u>935</u>
Total Cash Disbursements	<u>1,423,217</u>
Total Receipts Over/(Under) Disbursements	(39,338)
Fund Cash Balances, January 1	<u>944,957</u>
Fund Cash Balances, December 31	<u><u>\$905,619</u></u>

**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, 2009**

	2009
Cash Receipts:	
Receipts from Members	\$1,607,986
Administration Fees	22,286
Nola Trust Donation	150,000
Earnings on Investments	7,774
Miscellaneous	1,350
Total Cash Receipts	1,789,396
Cash Disbursements:	
Payments to Third-Party Administrator:	
Claim Payments	1,019,056
Administrative Fees	108,198
Specific Stop-Loss Insurance Premiums	131,287
Aggregate Stop Loss	21,977
Office Supplies	583
Travel Expenses	51
Postage Charges	603
Insurance Liability	4,600
Legal Fees	3,388
Auditor Fees	350
Management Consulting	10,900
Miscellaneous Other Costs	1,186
Total Cash Disbursements	1,302,179
Total Receipts Over/(Under) Disbursements	487,217
Fund Cash Balances, January 1	457,740
Fund Cash Balances, December 31	\$944,957

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, 2010 AND 2009**

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, 2010 AND 2009**

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 2010 and 2009 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>2010</u>	<u>2009</u>
Demand deposits	\$905,619	\$944,957

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, 2010 AND 2009**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,626,600	\$1,383,879	(\$242,721)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,684,568	\$1,423,217	\$261,351

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,776,600	\$1,789,396	\$12,796

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,786,530	\$1,302,179	\$484,351

4. RISK MANAGEMENT

The Consortium contracted with a third-party administrator, Anthem Blue Cross/Blue Shield 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, 2010 AND 2009**

5. CLAIMS LIABILITY

The Consortium receives an annual actuarial report that estimates an amount for the runoff liability for claims incurred but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 has been satisfied for the year ended December 31, 2010 and 2009. The reported reserve fund available to pay the IBNR claims and the IBNR claims liability per the actuarial report at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cash and Savings	\$905,619	\$944,957
IBNR Actuarial Liability	<u>(78,639)</u>	<u>(68,480)</u>
Excess Funds	<u><u>\$826,980</u></u>	<u><u>\$876,477</u></u>

6. PROFESSIONAL FEES

The Consortium has contracted with Benefit Designs to provide various management, underwriting, claim adjustments and loss control services. Benefit Designs was utilized for all of 2009 and 2010.



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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, 2009 and 2010 and have issued our report thereon dated March 31, 2011, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Consortium in a separate letter dated March 31, 2011.

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

March 31, 2011

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY
DECEMBER 31, 2010 AND 2009**

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2009-001

Significant Deficiency:

During 2009 and 2010, the Consortium had monthly ACH transfers to Anthem Blue Cross/Blue Shield taken directly out of their account to pay their monthly premiums. To record these transactions, the Consortium issued warrants that were properly endorsed and included two signatures, however, during our testing we noted many of these checks were not properly defaced and voided.

The effect of the above weakness is that the possibility exists that money could be diverted from the Consortium without proper detection.

We recommend the use of memo checks in the future to properly record ACH transfers.

Management's Response: The Consortium will implement the use of memo checks.

**OHIO EMPLOYEE BENEFITS CONSORTIUM
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Ohio Revised Code Section 9.833	Yes	Fully Corrected The consortium had an actuarial report for 2009 but it was after the 90 day requirement. This was due to not being aware of the requirement. The 2010 was completed timely. A management letter citation is issued for 2009



Dave Yost • 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
JUNE 2, 2011**