

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

*FOR THE FISCAL YEARS ENDED
JUNE 30, 2011 AND 2010*

LORI SIMIONE, TREASURER



Dave Yost • Auditor of State

Trumbull County Schools Employee Insurance Benefit Consortium
6000 Youngstown-Warren Road
Niles, Ohio 44446

We have reviewed the *Independent Accountants' Report* of the Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 23, 2011

This page intentionally left blank.

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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Statement of Net Assets - Modified Cash Basis - June 30, 2011	9
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Assets - Modified Cash Basis - For the Fiscal Year Ended June 30, 2011.....	10
Statement of Net Assets - Modified Cash Basis - June 30, 2010.....	11
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Assets - Modified Cash Basis - For the Fiscal Year Ended June 30, 2010.....	12
Notes to the Basic Financial Statements	13 - 19
Required Supplementary Information:	
Ten-Year Loss Development Information	20 - 21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	22 - 23

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

Trumbull County Schools Employee Insurance Benefit Consortium
6000 Youngstown-Warren Road
Niles, Ohio 44446-4603

To the Members of the Assembly and Insurance Committee:

We have audited the accompanying financial statements of Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, Ohio, as of and for the fiscal years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Trumbull County Schools Employee Insurance Benefit 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 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, Trumbull County Schools Employee Insurance Benefit Consortium prepares its financial statements and notes on the modified cash basis of accounting, 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 Trumbull County Schools Employee Insurance Benefit Consortium, Trumbull County, Ohio, as of June 30, 2011 and 2010, and the respective changes in financial position for the fiscal years then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of Trumbull County Schools Employee Insurance Benefit 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.

Independent Accountants' Report
Trumbull County Schools Employee Insurance Benefit Consortium
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* on pages 3 - 8 and required supplementary information on pages 20 - 21 as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 23, 2011

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

The management’s discussion and analysis of the Trumbull County Schools Employee Insurance Benefit Consortium’s (the “Consortium”) financial performance provides an overall review of the Consortium’s financial activities for the fiscal year 2010 and 2011, within the limitations of the Consortium’s modified 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 modified cash basis financial statements to enhance their understanding of the Consortium’s financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets were \$7,587,478 at June 30, 2010, which represents a 24.61% increase from 2009.
- The Consortium had operating cash receipts of \$19,144,902 and operating cash disbursements of \$17,710,058 for the fiscal year 2010. The Consortium also received \$63,572 in interest income non-operating cash receipts during the year. The total change in net cash assets for the year was an increase of \$1,498,416.

Key financial highlights for fiscal year 2011 are as follows:

- In total, net cash assets were \$6,920,812 at June 30, 2011, which represents an 8.79% decrease from 2010.
- The Consortium had operating cash receipts of \$18,687,303 and operating cash disbursements of \$19,443,710 for the fiscal year 2011. The Consortium also received \$89,741 in non-operating interest income cash receipts during the year. The total change in net cash assets for the year was a decrease of \$666,666.

Using these Basic Financial Statements

This modified cash basis 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 modified 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 - Modified Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets – Modified Cash Basis* provide information about the activities of the Consortium.

Reporting the Consortium Financial Activities

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

These documents look at all financial transactions and ask the question, “How did we do financially during 2010 and 2011?” The *Statement of Net Assets - Modified Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets - Modified Cash Basis* - answers this question.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

These statements include *only net cash assets* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 cash assets and changes in those cash assets on a modified cash basis. This change in net cash assets is important because it tells the reader that, for the Consortium as a whole, the modified cash basis financial position of the Consortium has improved or diminished.

As a result of the use of the modified 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 modified 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 modified cash basis of accounting.

The table below provides a summary of the Consortium’s net cash assets at June 30, 2011 and 2010 and 2009.

	Net Cash Assets		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Equity in pooled cash and investments	\$ 6,920,812	\$ 7,587,478	\$ 6,089,062
Total assets	<u>6,920,812</u>	<u>7,587,478</u>	<u>6,089,062</u>
<u>Net Cash Assets</u>			
Unrestricted	<u>6,920,812</u>	<u>7,587,478</u>	<u>6,089,062</u>
Total net cash assets	<u>\$ 6,920,812</u>	<u>\$ 7,587,478</u>	<u>\$ 6,089,062</u>

Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2011, June 30, 2010 and June 30, 2009 the Consortium’s net cash assets totaled \$6,920,812, \$7,587,478 and \$6,069,062, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

The table below shows the changes in net cash assets for fiscal years 2011, 2010 and 2009.

Change in Net Cash Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Operating cash receipts:</u>			
Contributions from members	\$ 18,687,303	\$ 19,144,902	\$ 17,342,385
Total operating cash receipts	<u>18,687,303</u>	<u>19,144,902</u>	<u>17,342,385</u>
<u>Operating cash disbursements:</u>			
Claims	18,302,155	16,609,862	15,772,838
Premiums	1,093,317	1,044,786	917,279
Administrative fees	26,303	34,232	112,045
Professional fees	21,644	21,115	13,177
Miscellaneous	<u>291</u>	<u>63</u>	<u>156</u>
Total operating cash disbursements	<u>19,443,710</u>	<u>17,710,058</u>	<u>16,815,495</u>
<u>Non-operating cash receipts:</u>			
Interest income	<u>89,741</u>	<u>63,572</u>	<u>129,276</u>
Total non-operating cash receipts	<u>89,741</u>	<u>63,572</u>	<u>129,276</u>
Change in net cash assets	(666,666)	1,498,416	656,166
Net cash assets at beginning of year	<u>7,587,478</u>	<u>6,089,062</u>	<u>5,432,896</u>
Net cash assets at end of year	<u>\$ 6,920,812</u>	<u>\$ 7,587,478</u>	<u>\$ 6,089,062</u>

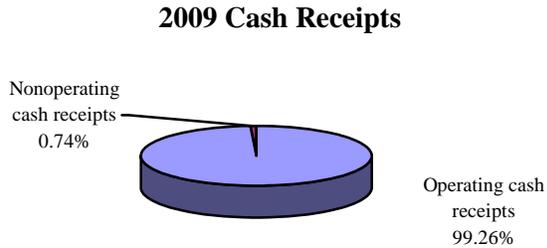
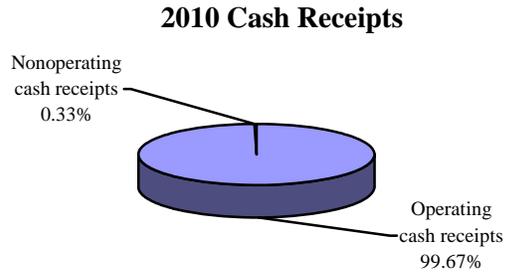
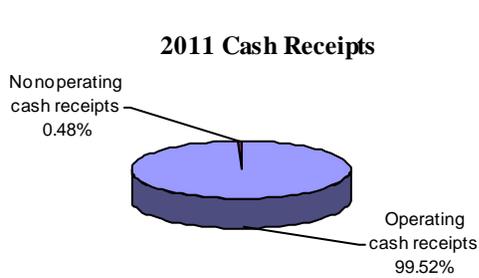
For fiscal year 2010, operating cash receipts increased 10.39% and operating cash disbursements increased 5.32%, respectively, over fiscal year 2009. The primary reason for the increase in operating cash receipts and operating cash disbursements is due to the Consortium gaining a school district during fiscal year 2010. Interest income decreased 50.82% due to decreased interest rates earned on investments.

For fiscal year 2011, operating cash receipts decreased 2.39% and operating cash disbursements increased 9.79%, respectively, over fiscal year 2010. The decrease in operating cash receipts is due mainly to normal fluctuations in district employee enrollment. The increase in operating cash disbursements is the result of a significant increase in claims submitted by members. Interest income increased 41.17% due to better than expected interest rates earned on investments.

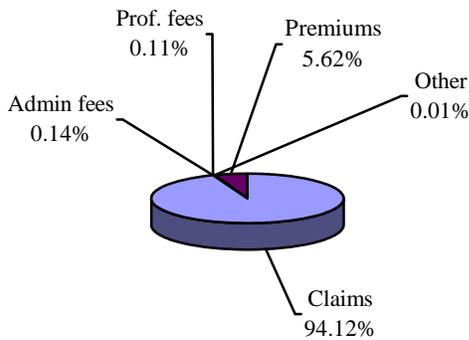
**TRUMBULL COUNTY SCHOOLS EMPLOYEE INSURANCE BENEFIT CONSORTIUM
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

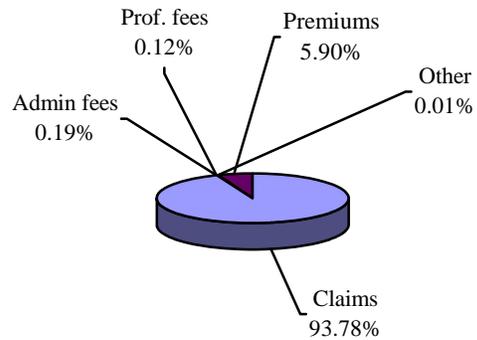
The charts below illustrate the cash receipts and disbursements for the Consortium for fiscal years 2011, 2010 and 2009.



2011 Operating Cash Disbursements



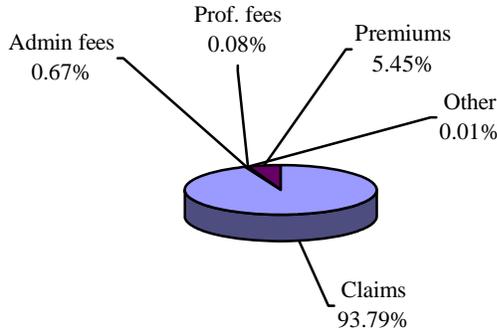
2010 Operating Cash Disbursements



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

2009 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 operating cash receipts is premiums paid by the member school districts. The Consortium also receives interest receipts through investments.

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 and its consultant, Findley Davies, Inc., 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 disbursements of the Consortium, in addition to enhancing the net cash 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 member 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, and the future looks better from the collective, as opposed to individual, view of the sixteen participating districts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

Contacting the Consortium's Financial Management

This financial report is designed to provide our member districts, citizens and other interested parties 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 Simone, Treasurer, Trumbull County Schools Employee Insurance Benefit Consortium, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

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

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011

Assets:	
Equity in pooled cash and investments	<u>\$ 6,920,812</u>
Total assets.	<u>\$ 6,920,812</u>
 Net Cash Assets:	
Unrestricted.	<u>\$ 6,920,812</u>
Total net cash assets.	<u>\$ 6,920,812</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating cash receipts:	
Contributions from members.	\$ 18,687,303
Total operating cash receipts.	<u>18,687,303</u>
Operating cash disbursements:	
Claims	18,302,155
Premiums	1,093,317
Administrative fees.	26,303
Professional fees	21,644
Miscellaneous	291
Total operating cash disbursements	<u>19,443,710</u>
Excess of operating cash disbursements over operating cash receipts	<u>(756,407)</u>
Non-operating cash receipts:	
Interest income	89,741
Total non-operating cash receipts.	<u>89,741</u>
Change in net cash assets.	(666,666)
Net cash assets at beginning of year.	<u>7,587,478</u>
Net cash assets at end of year	<u><u>\$ 6,920,812</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2010

Assets:	
Equity in pooled cash and investments	<u>\$ 7,587,478</u>
Total assets.	<u>\$ 7,587,478</u>
Net Cash Assets:	
Unrestricted.	<u>\$ 7,587,478</u>
Total net cash assets.	<u>\$ 7,587,478</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating cash receipts:	
Contributions from members.	\$ 19,144,902
Total operating cash receipts.	<u>19,144,902</u>
Operating cash disbursements:	
Claims	16,609,862
Premiums	1,044,786
Administrative fees.	34,232
Professional fees	21,115
Miscellaneous	63
Total operating cash disbursements	<u>17,710,058</u>
Excess of operating cash receipts over operating cash disbursements.	<u>1,434,844</u>
Non-operating cash receipts:	
Interest income	63,572
Total non-operating cash receipts.	<u>63,572</u>
Change in net cash assets.	1,498,416
Net cash assets at beginning of year.	<u>6,089,062</u>
Net cash assets at end of year	<u><u>\$ 7,587,478</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

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 Governments (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 (GASB) Statement No. 10 as 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 Consortium's 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, 2010 and June 30, 2011, there were 16 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 modified 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 the modified cash basis of accounting. This modified 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 modified cash basis of accounting. In cases where these modified 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

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

B. Basis of Accounting

The Consortium's financial statements are prepared using the modified 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

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

As a result of the use of this modified 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 cash receipts are those receipts that are generated directly from the primary activity of the Consortium. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of the Consortium. All cash receipts and cash disbursements 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. At June 30, 2010, the Consortium's investments consisted of money markets, Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities which are valued at cost. At June 30, 2011, the Consortium's investments consisted of Federal Home Loan Bank (FHLB) and Federal National Mortgage Association (FNMA) securities which 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 Cash Assets

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

NOTE 3 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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 monies 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.

Interim monies may 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;
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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities 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.

Protection of the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all Consortium deposits was \$502,009. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$252,009 of the Consortium's bank balance of \$502,009 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

At June 30, 2011, the carrying amount of all Consortium deposits was \$3,024,437. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,774,437 of the Consortium's bank balance of \$3,024,437 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Consortium.

B. Investments

As of June 30, 2010, the Consortium had the following investments and maturities:

<u>Investment type</u>	<u>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>	<u>Greater than 24 months</u>
FNMA	\$ 1,999,250	\$ -	\$ -	\$ -	\$ -	\$ 1,999,250
FFCB	499,750	-	-	-	-	499,750
FHLMC	1,496,750	-	-	-	-	1,496,750
Money market	3,089,719	3,089,719	-	-	-	-
Total	\$ 7,085,469	\$ 3,089,719	\$ -	\$ -	\$ -	\$ 3,995,750

The weighted average maturity of investments at June 30, 2010, is 1.97 years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

As of June 30, 2011, the Consortium had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities Greater than 24 months</u>
FHLB	\$ 900,000	\$ 900,000
FNMA	<u>2,996,375</u>	<u>2,996,375</u>
Total	<u>\$ 3,896,375</u>	<u>\$ 3,896,375</u>

The weighted average maturity of investments at June 30, 2011, is 3.65 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 in federal agency securities, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Consortium's investments in money market accounts were rated AAAM by Standard & Poor's. The Consortium's investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Consortium's name. The Consortium has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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, 2010</u>	
	<u>Cost</u>	<u>% of Total</u>
FNMA	\$ 1,999,250	28.22
FFCB	499,750	7.05
FHLMC	1,496,750	21.12
Money market	<u>3,089,719</u>	<u>43.61</u>
Total	<u>\$ 7,085,469</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	June 30, 2011	
	Cost	% of Total
FHLB	\$ 900,000	23.10
FNMA	2,996,375	76.90
Total	\$ 3,896,375	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets - Modified Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 502,009
Investments	7,085,469
Total	\$ 7,587,478
 <u>Cash and investments per statement of net assets - modified cash basis</u>	
Business-type activities	\$ 7,587,478
Total	\$ 7,587,478

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,024,437
Investments	3,896,375
Total	\$ 6,920,812
 <u>Cash and investments per statement of net assets - modified cash basis</u>	
Business-type activities	\$ 6,920,812
Total	\$ 6,920,812

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 4 - 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 Treasurer 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.

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, 2011 and 2010 follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash and Investments	\$6,920,812	\$7,587,478
Actuarial liabilities	1,892,705	1,759,707

NOTE 5 - CONTRACTED SERVICES

The Consortium contracts with Findley Davies, Inc. to assist them with the annual renewals of its health and welfare plans. Findley Davies, Inc. 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

TEN-YEAR LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Consortium's cash receipts (including investment income) compared to related payments of claims and other cash disbursements made by the Consortium as of the end of each fiscal year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross received premiums and investment income.
- (2) This line shows non-claims related cash disbursements of the Consortium for each fiscal year including premiums, administrative fees, professional fees, and other miscellaneous cash disbursements.
- (3) This section shows the cumulative net amount of claims paid as of the end of the accident year.

The Consortium reports data on a modified cash basis. Premiums and investment income are recorded when received and unallocated cash disbursements and claims are recorded when paid by the Consortium. A claims liability is not recorded under the Consortium's modified cash basis of accounting. The Consortium became self-insured through Medical Mutual effective January 1, 2001.

Loss development information for each fiscal year end from June 30, 2002 through June 30, 2011 is presented in the schedule on page 21.

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

TEN-YEAR LOSS DEVELOPMENT INFORMATION

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1. Premiums and investment income	\$ 15,740,168	\$ 17,775,880	\$ 17,660,611	\$ 16,050,584	\$ 15,764,977	\$ 19,332,703	\$ 20,634,788	\$ 17,471,661	\$ 19,208,474	\$ 18,777,044
2. Unallocated cash disbursements	1,484,306	1,757,904	1,723,709	1,586,709	1,337,599	1,135,748	1,094,530	1,042,657	1,100,196	1,141,555
3. Paid, cumulative as of:										
End of accident year	11,613,906	12,519,402	13,552,035	12,613,740	14,735,991	15,502,352	17,404,176	13,777,491	15,192,489	16,950,738
One year later	12,994,147	14,060,116	15,252,563	14,479,978	16,869,818	17,734,810	19,376,137	15,199,123	16,541,578	
Two years later	13,022,371	14,035,744	15,263,086	14,488,650	16,873,102	17,758,196	19,371,878	15,201,451		
Three years later	13,022,371	14,035,744	15,263,086	14,489,887	16,873,102	17,758,196	19,371,878			
Four years later	13,022,371	14,035,744	15,263,086	14,489,887	16,873,102	17,758,196				
Five years later	13,022,371	14,035,744	15,263,086	14,489,887	16,873,102					
Six years later	13,022,371	14,035,744	15,263,086	14,489,887						
Seven years later	13,022,371	14,035,744	15,263,086							
Eight years later	13,022,371	14,035,744								
Nine years later	13,022,371									

THIS PAGE IS INTENTIONALLY LEFT BLANK



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Trumbull County Schools Employee Insurance Benefit Consortium
6000 Youngstown-Warren Road
Niles, Ohio 44446-4603

To the Members of the Assembly and Insurance Committee:

We have audited the financial statements of Trumbull County Schools Employee Insurance Benefit Consortium as of and for the fiscal years ended June 30, 2011 and 2010, and have issued our report thereon dated September 23, 2011, wherein we noted the Trumbull County Schools Employee Insurance Benefit Consortium prepares its financial statements on the modified cash basis of accounting, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trumbull County Schools Employee Insurance Benefit Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Trumbull County Schools Employee Insurance Benefit Consortium's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the Trumbull County Schools Employee Insurance Benefit 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 Trumbull County Schools Employee Insurance Benefit 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 to be material weaknesses, as defined above.

Members of the Assembly and Insurance Committee
Trumbull County Schools Employee Insurance Benefit Consortium

Compliance and Other Matters

As part of reasonably assuring whether the Trumbull County Schools Employee Insurance Benefit 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 intend this report solely for the information and use of the management, Members of Assembly, Insurance Committee and others within the Trumbull County Schools Employee Insurance Benefit Consortium. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 23, 2011



Dave Yost • Auditor of State

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
DECEMBER 8, 2011**