

OME-RESA HEALTH BENEFITS CONSORTIUM

Jefferson County, Ohio

Financial Statements  
and  
Supplementary Financial Information  
For the year ended June 30, 2012

and Independent Auditors' Report Thereon



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# Dave Yost • Auditor of State

Board of Directors  
OME-RESA Health Benefits Consortium  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

We have reviewed the *Independent Auditors' Report* of the OME-RESA Health Benefits Consortium, Jefferson County, prepared by Schneider Downs & Co. Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Auditors' 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 Auditors' 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 OME-RESA Health 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

February 27, 2013

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INDEPENDENT AUDITORS' REPORT

OME-RESA Health Benefits Consortium  
Board of Directors  
Jefferson County, Ohio

We have audited the accompanying statement of cash receipts, cash disbursements, and changes in cash balances of the OME-RESA Health Benefits Consortium (the Consortium) for the year ended June 30, 2012. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 statement of cash receipts, cash disbursements and changes in cash balances. 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.

As discussed in Note 1, these financial statements have been prepared using accounting practices prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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.

Revisions to GAAP would require the Consortium to reformat its financial presentation. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Ohio 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 Ohio 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 statement referred to above for the years ended June 30, 2012 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 June 30, 2012, or its changes in financial position for the year then ended.

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Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the OME-RESA Health Benefits Consortium of Jefferson County, as of June 30, 2012, and its cash receipts and cash disbursements for the year then ended on the accounting basis described in Note 1.

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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

# Schneider Downs & Co., Inc.

Columbus, Ohio  
December 31, 2012

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OME-RESA HEALTH BENEFITS CONSORTIUM  
JEFFERSON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

**CASH RECEIPTS:**

Contribution from members	\$ 163,575,450
Investment earnings	3,030,648
	166,606,098

**CASH DISBURSEMENTS:**

Claims payments	136,046,821
Stop loss premiums	2,037,281
Administrative fees	10,942,935
Life and vision premium	576,508
	149,603,545

Cash Receipts Over Operating Cash Disbursements	17,002,553
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**OTHER FINANCING USES:**

Reimbursement of balance to withdrawing members	(2,058,891)
	14,943,662

**CASH BALANCES:**

Cash Balances, July 1, 2011	101,209,299
	\$ 116,152,961

See accompanying notes to financial statements.

**OME-RESA HEALTH BENEFITS CONSORTIUM  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ohio Mid-Eastern Educational Service Agency (OME-RESA) Health Benefits Consortium, Jefferson County, (the Consortium) is a claims servicing pool established pursuant to Ohio Revised Code Chapter 167. The legislative body of the Consortium is an assembly consisting of a designee from each of its ninety-five members. The membership of the assembly appoints a nine-member Board of Directors, which acts as the managerial body of the Consortium. The Consortium provides a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents.

Contributions to the Consortium are received monthly from the participants and their employees based upon amounts determined by independent insurance consultants. At June 30, 2012, a stop loss third party insured the Consortium for claims in excess of \$500,000 per participant.

Besides the standard monthly contributions, the Consortium may extend an assessment to each participant based on a three-year window calculation determined by an independent insurance consultant. The calculation is based on the ratio of total expense to total income for each member during the previous three years ended June 30. The insurance consultant separately reviews each participant's medical, prescription, vision, and dental balances for potential assessments. Conversely, a participant may be eligible for a month or two-month waiver of its monthly contributions based on the above calculation.

A participant may withdraw from the Consortium or any particular benefits program. One participant withdrew from the Consortium while two additional participants enrolled during the period July 1, 2011 through June 30, 2012.

All administrative costs and expenses incurred for the maintenance of the Consortium have been paid by the participants through June 30, 2012.

The Consortium's management believes these financial statements present all activities for which the Consortium is financially accountable.

The Jefferson County Education Service Center acts as fiscal agent for the Consortium and is a separate reporting entity with separate financial statements.

**B. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes or permits.

**OME-RESA HEALTH BENEFITS CONSORTIUM  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments**

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

The Consortium values investments at cost.

**D. Budgetary Process**

The budgetary process is not a requirement of the Consortium.

**2. EQUITY IN CASH AND INVESTMENTS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30, 2012 is as follows:

Money market funds	\$	22,649,683
Treasury bonds		7,893,437
Industrial bonds		9,981,117
Municipal bonds		18,240,025
Government agency bonds		<u>57,388,699</u>
Total deposits and investments	<u>\$</u>	<u>116,152,961</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**3. RISK MANAGEMENT**

The Consortium is a claims servicing self-insurance pool organized under Ohio Revised Code Chapter 167 for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents. The Consortium contracts with third-party administrators to process and pay health, dental and vision claims incurred by its members.

The Consortium also purchases stop loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate.

**OME-RESA HEALTH BENEFITS CONSORTIUM  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**3. RISK MANAGEMENT (Continued)**

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are claims by eligible employees which are payable by each member, the member's share of the medical, prescription, vision and dental insurance premiums, and their proportionate share of the administrative costs of the Consortium. The actual balance of each member's account is determined on a monthly basis. Each member is required to meet or exceed the claims that have been incurred but not reported (IBNR) and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

Members may withdraw from the Consortium with as much notice as is possible for the termination, allowing the Consortium time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Consortium for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of claims incurred prior to the termination of membership so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Consortium will be required to repay the deficit in full within ninety days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

**4. CLAIMS LIABILITY**

The incurred but not reported (IBNR) claims (actuarial liability) at June 30 are used by the Consortium to help determine the rates to charge members. Additionally, the estimation of IBNR, as of a valuation date, allows the consortium to compare the liability to the funds reserved and to determine whether the amounts reserved meet the requirements of Ohio Revised Code Section 9.833. The Consortium has also established a formal funding policy for claims fluctuation reserves to aid in tempering potential significant fluctuations in premiums and contribution levels that may be required. The IBNR claims liability and the fluctuation reserve are based on actuarial assumptions that produce a liability estimate consistent with the plan of benefits in force and with administrative practices and have been calculated on actuarial assumptions that are reasonable and appropriate under the circumstances. Premium charges to member governments are based on calculations provided by the Consortium's Health Actuary.

As of the valuation date, June 30, 2012 the IBNR liabilities, the fluctuation reserves and the total funds reserved follows:

Cash and investments	\$	116,152,961
Actuarial Liabilities		<u>16,466,753</u>
Excess funds before Fluctuation reserve		99,686,208
Fluctuation reserve		<u>20,668,567</u>
 Excess Funds	 \$	 <u>79,017,641</u>

SUPPLEMENTARY FINANCIAL INFORMATION





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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

OME-RESA Health Benefits Consortium  
Board of Directors  
Jefferson County, Ohio

We have audited the financial statements of the OME-RESA Health Benefits Consortium Jefferson County, (the Consortium) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012, wherein we noted that the Consortium prepared its financial statements using accounting practices that the Ohio Auditor of State prescribes or permits rather than accounting practices 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.

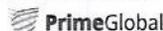
Internal Control Over Financial Reporting

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 opinion 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 do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Consortium's Board of Directors and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
December 31, 2012

ONE-RESA Health Benefits Consortium  
Board of Directors  
Jefferson County, Ohio

We have audited the financial statements of the ONE-RESA Health Benefits Consortium (Consortium) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012, wherein we noted that the Consortium prepared its financial statements using accounting practices that the Ohio Auditor of State prescribes or permits unless such accounting practices 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 opinion 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 do not express an opinion 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, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to internal weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**OME-RESA HEALTH BENEFITS CONSORTIUM  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

The prior audit report, as of June 30, 2011, reported no material citations or recommendations.

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ONE-LESA HEALTH BENEFITS CONTRIBUTION  
JEFFERSON COUNTY

SCHEDULE OF FUND ALLOT FINDINGS  
JUNE 30, 2012

This page was copied as of June 10, 2011, reported no material changes or recommendations.

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# Dave Yost • Auditor of State

**OME-RESA HEALTH BENEFITS CONSORTIUM**

**JEFFERSON 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  
MARCH 12, 2013**