

EAST OHIO SCHOOLS EMPLOYEES
INSURANCE CONSORTIUM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006





Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the East Ohio Schools Employees Insurance Consortium, Tuscarawas County, prepared by Apple Growth Partners, for the audit period October 1, 2006 through September 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The East Ohio Schools Employees Insurance Consortium is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 1, 2008

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EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY

Table of Contents

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 - 5 |
| FINANCIAL STATEMENTS | |
| BALANCE SHEETS | 6 |
| STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS | 7 |
| STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 - 13 |
| SUPPLEMENTAL INFORMATION | |
| INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION | 15 |
| REQUIRED SUPPLEMENTARY INFORMATION | 16 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 17 - 18 |

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of the East Ohio Schools Employees Insurance Consortium as of September 30, 2007 and 2006 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the East Ohio Schools Employees Insurance Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Ohio Schools Employees Insurance Consortium as of September 30, 2007 and 2006 and its revenues, expenses and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued a report dated March 12, 2008 on our consideration of the East Ohio Schools Employees Insurance Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Healthy Growth.

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INCLUDING THE MERGED FIRM OF BROTT MARDIS & CO
AKRON • WESTLAKE • MAYFIELD VILLAGE
CERTIFIED PUBLIC ACCOUNTANTS • STRATEGIC BUSINESS ADVISORS

The Management Discussion and Analysis information on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Apple Growth Partners

Apple Growth Partners
March 12, 2008

**East Ohio Schools Employees Insurance Consortium
Management's Discussion and Analysis
For Year Ended September 30, 2007
Unaudited**

The discussion and analysis of East Ohio Schools Employee Insurance Consortium financial performance provides an overall review of East Ohio Schools Employee Insurance Consortium for the year ended September 30, 2007. The intent of this discussion and analysis is to review East Ohio Schools Employee Insurance Consortium performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of East Ohio Schools Employee Insurance Consortium performance.

Financial Highlights

Key financial highlights for the period ending September 30, 2007 are as follows:

- Cash and Cash Equivalents increased from \$1,957,899 as of September 30, 2006 to \$2,770,399 at September 30, 2007.
- Operating in an environment of rising health care costs, East Ohio Schools Employee Insurance Consortium claim expense decreased from \$4,238,668 to \$3,990,774 for the periods ending September 30, 2006 and 2007, respectively.
- The limit for the plan year ending September 30, 2006 was \$35,000 and two claimants exceeded the limit. The limit for the plan year ending September 30, 2007 remained at \$35,000, however there were three claimants who exceeded the limit.
- Carrier Premiums decreased by approximately \$118,000 and PPO fees remained nearly constant only decreasing by \$1,200 from the prior year. OME-RESA fees to maintain membership increased over \$221,000, compared to an increase of over \$683,000 during fiscal year end 2006.

Using the Basic Financial Statements

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

**East Ohio Schools Employees Insurance Consortium
Management's Discussion and Analysis
For Year Ended September 30, 2007
Unaudited**

**STATEMENT OF CHANGES IN NET ASSETS
September 30, 2007**

| | YEAR TO DATE | |
|------------------------------------|---------------------|---------------------------|
| | CURRENT | PRIOR |
| | 9/30/2007 | YEAR 9/30/2006 |
| REVENUE | | |
| Employer premium billings | 6,012,715 | 5,701,736 |
| Cobra | 24,810 | 22,922 |
| Interest Income | 102,830 | 55,927 |
| Miscellaneous Income | 1,213 | 19,105 |
| Total revenue | 6,141,568 | 5,799,690 |
| Benefit Plan Expenses | | |
| Carrier Premiums | 117,870 | 236,144 |
| PPO Savings Fees | - | 13,283 |
| Utilization Review – Advocare | 13,878 | 14,164 |
| Klais Administration Fees | 139,078 | 141,803 |
| Prescription Vendor Admin Fees | 60 | - |
| Medical Mutual of Ohio Fees | 123,320 | 111,300 |
| Professional Fees | 9,025 | 5,934 |
| Ome-resa Fees | 904,423 | 683,089 |
| Postage | 665 | - |
| Claims Account Expense | 3,990,774 | 4,238,668 |
| Terminal Reserve Expense | 163,000 | (215,628) |
| TOTAL BENEFIT PLAN EXPENSES | 5,462,093 | 5,228,757 |
| CHANGES IN NET ASSETS | 679,475 | 570,933 |

**East Ohio Schools Employees Insurance Consortium
Management's Discussion and Analysis
For Year Ended September 30, 2007
Unaudited**

After just a few years in existence, the Consortium has been able to build a sizable reserve of \$2,297,700.

Current Issues

Effective December 1, 2005, East Ohio Schools Employee Insurance Consortium joined Ohio Mid-Eastern Regional Service Agency (OME-RESA). As of the date of this report, East Ohio Schools has continued its membership with OME-RESA.

First organized in 1975, OME-RESA is an educational service agency that established a partially self-insured health benefits program in 1985, and provides health care and related insurance benefits for over fifty member organizations throughout the state of Ohio.

The OME-ERSA Health Benefits Plan enables East Ohio Schools Employee Insurance Consortium to provide individually designed benefit programs to their employees while being able to enjoy the cost-saving advantages of group purchasing through a large consortium. A unique reserve pool feature allows similar entities to share the risk of fluctuations in claims costs inherent in the self-insurance plans, and allows funding levels to be fixed once a year for easier budgeting and cash flow planning.

Contacting East Ohio Schools Employee Insurance Consortium's Financial Management

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

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY

BALANCE SHEETS

ASSETS

| | September 30, | |
|---|----------------------|---------------------|
| | 2007 | 2006 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,770,399 | \$ 1,957,899 |
| Accounts receivable (no allowance considered necessary) | 115,301 | 85,326 |
| Total current assets | 2,885,700 | 2,043,225 |
| TOTAL ASSETS | \$ 2,885,700 | \$ 2,043,225 |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Liability for claims incurred but not reported | \$ 588,000 | \$ 425,000 |
| Total current liabilities | 588,000 | 425,000 |
| NET ASSETS: | | |
| Unreserved | 2,297,700 | 1,618,225 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,885,700 | \$ 2,043,225 |

See notes to the financial statements.

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Employer | \$ 6,012,715 | \$ 5,701,736 |
| COBRA | 24,810 | 22,922 |
| Interest income | 102,830 | 55,927 |
| Miscellaneous income | 1,213 | 19,105 |
| | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | 6,141,568 | 5,799,690 |
| OPERATING EXPENSES: | | |
| Claims paid | 3,990,774 | 4,238,668 |
| Insurance premiums for coverages | 117,870 | 236,144 |
| Administrative fees | 1,181,424 | 963,639 |
| Professional fees | 9,025 | 5,934 |
| Change in claims incurred but not reported | 163,000 | (215,628) |
| | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | 5,462,093 | 5,228,757 |
| OPERATING INCOME | 679,475 | 570,933 |
| NET ASSETS - BEGINNING OF YEAR | 1,618,225 | 1,047,292 |
| | <hr/> | <hr/> |
| NET ASSETS - END OF YEAR | \$ 2,297,700 | \$ 1,618,225 |
| | <hr/> | <hr/> |

See notes to the financial statements.

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received for premiums and other operating revenue | \$ 6,111,593 | \$ 5,816,913 |
| Cash paid for premiums and claims | (4,108,644) | (4,487,112) |
| Cash paid to vendors for services | (1,190,449) | (969,573) |
| Cash provided by operating activities | <u>812,500</u> | <u>360,228</u> |
| | | |
| INCREASE IN CASH AND CASH EQUIVALENTS | 812,500 | 360,228 |
| | | |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>1,957,899</u> | <u>1,597,671</u> |
| | | |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 2,770,399</u> | <u>\$ 1,957,899</u> |
| | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating Income | \$ 679,475 | \$ 570,933 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (29,975) | 17,223 |
| Accounts payable | - | (12,300) |
| Liability for claims incurred but not reported | 163,000 | (215,628) |
| Cash provided by operating activities | <u>\$ 812,500</u> | <u>\$ 360,228</u> |

See notes to the financial statements.

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2006

NOTE 1 – DESCRIPTION OF THE ENTITY

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

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

A. Board of Directors

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

B. Executive Committee

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

The Board of Directors may ratify any action authorized or taken by the Executive Committee or may rescind and overrule any such action.

NOTE 1 – DESCRIPTION OF THE ENTITY (Continued)

C. Enrollment by Member Districts

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

D. Consortium Fund

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

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

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

E. Termination / Withdrawal of a Consortium Member

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

NOTE 1 – DESCRIPTION OF THE ENTITY (Continued)

F. Contributions

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting/Measurement Focus

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Cash and Cash Equivalents

During the year ended September 30, 2005, the Consortium maintained all of its cash balances with one bank and invested in money market funds. The cash was insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$100,000. During year ended September 30, 2006 the Consortium established a reserve fund with OME-RESA. The cash balance that related to this reserve is \$1,868,218 and \$1,090,383 at September 30, 2007 and 2006, respectively. OME-RESA Health Benefits maintains these funds at two different banks in CD's that sweep; therefore the balance is insured to a maximum of \$200,000. During the fiscal years ended September 30, 2007 and 2006 the Consortium had uninsured cash balances at banking institutions, however management has not experienced losses related to cash.

C. Estimates

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of Consortium assets, liabilities, and benefit obligations, and the reported increases and reductions of Consortium assets during the reporting period. Actual results could differ from those estimates.

NOTE 3 – ADMINISTRATIVE FEES

The Consortium has contracted with Klais and Company (Claims Administrator) to provide claims processing, payment and/or administrative services in connection with the benefit programs being offered by or through the consortium. Fees for these services were \$139,078 and \$141,803 at September 30, 2007 and 2006, respectively.

NOTE 4 – RISK MANAGEMENT

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

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

NOTE 5 – UNPAID CLAIMS LIABILITIES

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

| | <u>2007</u> | <u>2006</u> |
|---|--------------------|--------------------|
| Unpaid claims and claim adjustment expenses at beginning of year | \$ 425,000 | \$ 640,628 |
| Incurred claims and claim adjustment expenses: | | |
| Provision for insured events of current year | 4,105,786 | 4,090,064 |
| Decreases in provision for insured events of prior years | <u>47,988</u> | <u>(67,024)</u> |
| Total incurred claims and claim adjustment expenses | 4,153,774 | 4,023,040 |
| Payments: | | |
| Claims and claim adjustment expenses attributable to insured events of current year | \$ (3,593,939) | \$ (3,739,600) |
| Claims and claim adjustment expenses attributable to insured events of prior years | <u>(396,835)</u> | <u>(499,068)</u> |
| Total payments | <u>(3,990,774)</u> | <u>(4,238,668)</u> |
| Total unpaid claims and claim adjustment expenses at end of year | <u>\$ 588,000</u> | <u>\$ 425,000</u> |

REQUIRED SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR' S REPORT ON
REQUIRED SUPPLEMENTAL INFORMATION**

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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental claims development information is presented to comply with the Government Auditing Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in our audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Apple Growth Partners

Apple Growth Partners
March 12, 2008

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM
TUSCARAWAS COUNTY

REQUIRED SUPPLEMENTARY SCHEDULE

CLAIMS DEVELOPMENT INFORMATION

| | Fiscal Year and Policy Years Ended | | | |
|---|------------------------------------|--------------|--------------|--------------|
| | 2007 | 2006 | 2005 | 2004 |
| 1 | \$ 6,141,568 | \$ 5,799,690 | \$ 5,240,410 | \$ 5,247,253 |
| 2 | 1,190,449 | 969,573 | 325,674 | 236,550 |
| 3 | 4,105,786 | 4,090,064 | 4,562,248 | 3,778,364 |
| 4 | 3,593,939 | 3,739,600 | 3,977,799 | 3,413,342 |
| | | | 4,478,273 | 3,764,666 |
| | | | | 3,763,260 |
| 5 | 4,105,786 | 4,090,064 | 4,562,248 | 3,778,364 |
| | | | 4,496,629 | 3,767,444 |
| | | | | 3,766,039 |
| 6 | - | - | (65,619) | (12,325) |

See independent auditor's report on supplementary information.



**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**

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

We have audited the financial statements of the East Ohio Schools Employees Insurance Consortium (The "Consortium") as of and for the fiscal years ended September 30, 2007 and 2006 and have issued our report thereon dated March 12, 2008. We conducted our audits 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 audits, 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 do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Consortium's financial statements that is more than inconsequential will not be prevented or detected by the Consortium's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Consortium's internal control.

Our consideration of the 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 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.

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 is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Consortium in a separate letter dated March 12, 2008.

This report is intended solely for the information and use of the management and Board of Directors of the East Ohio Schools Employees Insurance Consortium, and is not intended to be and should not be used by anyone other than these specified parties.

Apple Growth Partners

Apple Growth Partners
March 12, 2008



Mary Taylor, CPA
Auditor of State

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2008**