



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

OME-RESA Health Benefits Consortium
Jefferson County
2023 Sunset Boulevard
Steubenville, Ohio 43952

To the Board of Trustees:

We have audited the accompanying financial statements of Ohio Mid Eastern Region Education Service Agency (OME-RESA) Health Benefits Consortium, Jefferson County, (the Insurance Consortium) as of and for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of the Insurance Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Insurance Consortium prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of OME-RESA Health Benefits Consortium, Jefferson County, as of June 30, 2002 and June 30, 2001, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2003 on our consideration of the Insurance Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

OME-RESA Health Benefits Consortium
Jefferson County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 17, 2003

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Cash Receipts:			
Contributions from Members	\$1,976,355	\$38,250,709	\$40,227,064
Total Cash Receipts	1,976,355	38,250,709	40,227,064
Cash Disbursements:			
Claims Payments		42,189,570	42,189,570
Administrative Fees	1,630,440		1,630,440
Stop Loss Premiums		668,375	668,375
Total Cash Disbursements	1,630,440	42,857,945	44,488,385
Net Receipts Over/(Under) Disbursements	345,915	(4,607,236)	(4,261,321)
Fund Cash Balances, July 1	56,719	9,953,806	10,010,525
Fund Cash Balances, June 30	<u>\$402,634</u>	<u>\$5,346,570</u>	<u>\$5,749,204</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Cash Receipts:			
Contributions from Members	\$1,374,791	\$33,375,107	\$34,749,898
Total Cash Receipts	1,374,791	33,375,107	34,749,898
Cash Disbursements:			
Claims Payments		34,848,673	34,848,673
Administrative Fees	1,694,626		1,694,626
Stop Loss Premiums		610,416	610,416
Refund of Prior Years Receipts		25,265	25,265
Total Cash Disbursements	1,694,626	35,484,354	37,178,980
Net Receipts Over/(Under) Disbursements	(319,835)	(2,109,247)	(2,429,082)
Fund Cash Balances, July 1	376,554	12,063,053	12,439,607
Fund Cash Balances, June 30	<u>\$56,719</u>	<u>\$9,953,806</u>	<u>\$10,010,525</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio Mid-Eastern Education Service Agency (OME-RESA) Health Benefits Consortium, Jefferson County, (the "Insurance Consortium") is a school district consortium established pursuant to Ohio Revised Code Chapter 167. The legislative body of the Insurance Consortium is an assembly consisting of the Superintendents, or a Superintendent's designee, from each member school district. Officers of the Assembly are elected from the membership for a one year term. The Assembly appoints a Board of Directors, which acts as the managerial body of the Insurance Consortium. The Insurance Consortium provides a cooperative program to administer medical, prescription and dental benefits for employees of the participating school districts and their eligible dependents.

Contributions to the Insurance Consortium are received monthly from the participant and their employees based upon amounts determined by independent insurance consultants. At June 30, 2002, a third party insured the Insurance Consortium for claims in excess of \$50,000 per participant.

Besides the standard monthly contributions, the Insurance 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 school during the previous three years ended June 30. The Insurance consultant separately reviews each participant's medical, prescription and dental balances for potential assessments. Conversely, a participant may be eligible for a one month or two month waiver of its monthly contributions based on the above calculation.

A participant may withdraw from the Insurance Consortium or any particular benefits program and one participant withdrew from the Insurance Consortium during the period July 1, 2000 through June 30, 2002.

All administrative costs and expenses incurred for the maintenance of the Insurance Consortium have been paid by the participants through June 30, 2002.

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

The Jefferson County Educational Service Center is not a part of the Insurance Consortium. This is a separate reporting entity with separate financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Investments are reported 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.

Certificates of deposit and U.S. Treasury Notes are valued at cost. The Consortium also has an interest bearing checking account.

D. Fund Accounting

The Insurance Consortium uses fund accounting to segregate cash and investments that are restricted as to use. The Insurance Consortium classifies its funds into the following types:

1. Internal Service Funds

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Insurance Consortium had the following significant internal service fund:

Health Benefits Service Fund – This fund accounts for the amounts paid by member school districts to cover the costs of administrating self insurance benefits.

2. Fiduciary Funds (Agency Fund)

These funds are used to account for resources restricted funds for which the Insurance Consortium is acting in an agency capacity. The Insurance Consortium had the following significant fiduciary fund:

The Self-Insurance Benefits Fund – This fund is used to account for the premiums paid for employees of each member school district.

E. Budgetary Process

The budgetary process is not a requirement of the Insurance Consortium.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Insurance Consortium maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$1,287,204	\$948,525
Certificates of deposit	2,842,000	5,442,000
Total deposits	<u>4,129,204</u>	<u>6,390,525</u>
U.S. Treasury Notes	1,620,000	3,620,000
Total investments	<u>1,620,000</u>	<u>3,620,000</u>
Total deposits and investments	<u>\$5,749,204</u>	<u>\$10,010,525</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Insurance Consortium.

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Insurance Consortium's financial institution. The financial institution maintains records identifying the Insurance Consortium as owner of these securities.

3. RISK MANAGEMENT

Commercial Insurance

OME-RESA Health Benefits Consortium has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

Self Insurance

OME-RESA Health Insurance Consortium is a self insurance pool that provides health insurance coverage for employees of other subdivisions. The Self Insurance Benefits Fund pays covered claims to service providers and recovers these costs from charges to the subdivisions based on an actuarially determined cost per employee. A comparison of Self Insurance Benefits Fund cash and investments to the actuarially measured liability as of June 30 follows:

	2002	2001
Cash and Investments	\$5,749,204	\$10,010,525
Actuarial Liabilities	\$6,288,693	\$3,909,198

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. UNFUNDED CLAIMS

The Insurance Consortium obtains an actuarial report that reflects a valuation that provides an estimate of runoff liability for incurred but not reported (IBNR) claims of the insurance program based on an analysis of historic claims data and generally accepted actuarial principles. The actuarial report for the period ended June 30, 2002 reflects estimated claims at \$6,288,693. Reported reserve funds available to pay IBNR claims as of that date were \$3,972,449. Thus, according to the actuarial report estimated IBNR claims as of June 30, 2002 were unfunded by \$2,316,244.

The agreement establishing the Insurance Consortium provides that the member school districts (participants) assume the financial risk of the Insurance Consortium to ensure the stability of the Insurance Consortiums' financial position. The agreement also provides that the participants' contribution to the Insurance Consortium and the disbursements made by the Insurance Consortium on the participants' behalf shall be evaluated annually to decide whether the Insurance Consortium should make an adjustment to the amount the participants contribute. Pursuant to this funding agreement, the funding factors for all participants have been reevaluated and the participants' monthly contributions will be increased during fiscal year 2003. The aggregate amount of these increases is expected to generate adequate funding to meet the above IBNR claims and provide additional funding for fiscal year 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

OME-RESA Health Benefits Consortium
Jefferson County
2023 Sunset Boulevard
Steubenville, Ohio 43952

To the Board of Trustees:

We have audited the accompanying financial statements of the OME-RESA Health Benefits Consortium, Jefferson County (the Insurance Consortium) as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated June 17, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Insurance Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Insurance Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

OME-RESA Health Benefit Consortium
Jefferson County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 17, 2003



**Auditor of State
Betty Montgomery**

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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
JULY 8, 2003**