



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

School Employees Insurance Consortium
Ross County
19463 Pherson Pike
Williamsport, Ohio 43164

To the Board of Directors:

We have audited the accompanying financial statements of the School Employees Insurance Consortium, Ross County, Ohio, (the Consortium) as of and for the years ended June 30, 2000 and June 30, 1999. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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.

As discussed in Note 1, the 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 presents fairly, in all material respects, the cash balance of the School Employees Insurance Consortium, Ross County, Ohio as of June 30, 2000 and June 30, 1999 and its cash receipts and 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 September 8, 2000 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 grants for the year ended June 30, 2000. We also issued our report dated February 15, 2000 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 grants for the year ended June 30, 1999. Those reports are 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 audits.

This report is intended solely for the information and use of management, the Board of Directors, 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.

JIM PETRO
Auditor of State

September 8, 2000

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED JUNE 30, 2000 AND JUNE 30, 1999**

	2000	1999
Cash Receipts:		
Charges for Services	\$11,463,668	\$10,290,215
Earnings On Investments	5,541	27,818
Miscellaneous Receipts	<u>0</u>	<u>17,958</u>
Total Cash Receipts	11,469,209	10,335,991
 Cash Disbursements:		
Re-Insurance Payments and Administrative Fees	1,159,382	808,284
Claims Payments	10,368,238	9,820,620
Miscellaneous	<u>0</u>	<u>2,311</u>
Total Cash Disbursements	<u>11,527,620</u>	<u>10,631,215</u>
 Total Cash Receipts Over (Under) Cash Disbursements	 (58,411)	 (295,224)
Beginning Cash Balance	<u>\$255,780</u>	<u>\$551,004</u>
Ending Cash Balance	<u>\$197,369</u>	<u>\$255,780</u>

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

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**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ross County School Employees Insurance Consortium (the Consortium), is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The Consortium administers a cooperative health insurance program. The Consortium is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Board of Directors is the legislative and managerial body of the Consortium. The Board of Directors is composed of a representative from member school districts who has been appointed by their respective school district (normally the Superintendent). At June 30, 2000, eighteen school districts were participating in the Consortium.

The Board of Directors appoints a member district, with the consent of the its Board of Education, as the Fiscal Agent for the Consortium. The Treasurer of the Fiscal Agent shall be the Treasurer of the Consortium. The Westfall Local School District Treasurer is the appointed Fiscal Agent for the Consortium.

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

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.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

All revenue received by the Consortium is placed in one of two bank accounts. Monies are maintained in these accounts or temporarily used to purchase short term investments. Investments were limited to a Repurchase Agreement. Nonparticipating investment contracts such as repurchase agreements and negotiable certificates of deposit are reported at cost.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 57,329	\$ 86,595
Repurchase Agreement	<u>140,040</u>	<u>169,185</u>
Total deposits and investments	<u>\$ 197,369</u>	<u>\$ 255,780</u>

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The Consortium did not enter into a depository agreement with the financial institution where its demand deposit accounts are held for the period ended June 30, 2000.

3. RISK MANAGEMENT

The Consortium is a regional council of governments organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The Consortium, which is open to any Board of Education of any school district in the State of Ohio, is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance program that is adequate to meet the needs of each member school under its benefit plan for its employees. The Board of Directors also purchase stop loss coverage for claims in excess of a set amount both for individual claims (\$65,000) and in the aggregate (\$10,419,071).

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 the claims by eligible employees which are payable by each member, the member's share of the health and dental insurance premiums, and their proportionate share of the administrative cost of the Consortium. The actual balance of each member school's account is determined on a triennial basis. If a member is in a deficit position, one-half of the deficit is due immediately or can be paid over the next three years including interest of 10 percent. Prepayments of anticipated shortages may be made by member schools.

Member schools may withdraw from the Consortium at the end of any fiscal year, and may be removed for failure to make the required payments. The obligation for the payment of any negative balance in a member's account and the remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

4. ACTUARIAL REPORT

The Consortium hires an actuary to perform an annual evaluation. The valuation estimates claims reported but not paid and claims that have been incurred but not yet reported under the health plan as of the valuation date to compare its liability to determine the rates to charge members. The actuarial liability as of June 30 for the most recent years follow:

Year	Claims Reported But Not Yet Paid at June 30	Estimated Claims Incurred But Not Reported at June 30	Total Actuarial Liability at June 30
2000	\$1,738,446	\$976,518	\$2,714,964
1999	\$235,668	\$1,556,712	\$1,792,380

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. ACTUARIAL REPORT (Continued)

The trend data above is useful in assessing the adequacy of rates the Consortium charges its members. An increasing liability indicates current rates are not sufficient to cover liabilities that members have incurred. (See Note 6)

5. CASH POSITION OF MEMBER SCHOOL DISTRICTS

At June 30, the members of the Consortium had the following respective cash position:

Member District	2000	1999
Adena LSD	(\$53,086)	(\$149,342)
Amanda Clearcreek LSD	236,460	252,101
Blanchester LSD	(431,660)	(292,973)
Bright LSD	(34,850)	(34,547)
Circleville CSD	24,941	53,447
Huntington LSD	303,743	176,954
Logan Elm LSD	91,480	22,108
Lynchburg-Clay LSD	(72,742)	(28,683)
Madison Plains LSD	(1,398)	59,763
Paint Valley LSD	68,479	122,110
Pickaway-Ross JVSD	(452,557)	(391,363)
Ross ESC	237,610	183,152
Scioto Valley LSD	11,235	108,859
South Point LSD	(936,614)	(618,741)
Teays Valley LSD	155,533	96,376
Union Scioto LSD	575,876	392,137
Westfall LSD	273,747	248,583
Zane Trace LSD	201,172	55,839
Consortium Cash Balance at	\$197,369	\$255,780

Note: The member amounts above represent each members' premium payments made to the Consortium reduced by claims paid as of June 30, exclusive of presented but unpaid claims (IBNP) as of June 30.

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. CLAIMS INCURRED BUT NOT PAID

The Consortium's current cash position does not permit claims to be paid when presented. May and June, 2000 billed claims, see note 4, have not been paid as of June 30, 2000.

The Consortium has developed a plan, with several components, to enable it to pay claims timely.

1. Participating Districts have contributed an extra monthly premium payment and experienced two premium increases within the fiscal year ended June 30, 2000;
2. Several District's triennial reconciliation will occur on July 1, 2000. Those Districts in a negative fiscal position are required to reimburse the Consortium half of the experienced deficit. The Consortium estimates approximately \$400,000 will be recovered through this process;
3. Two District members have expressed their intent to rescind their membership with the Consortium. These District deficit balances would be due and payable, as of the secession date. The Consortium estimates approximately \$1.3 million will be recovered through this process.
4. The Board of Directors are currently reviewing and implementing new policies and procedures to ensure those member Districts who experience a negative fiscal position with the Consortium are quickly identified and monies are collected timely. One proposed amendment is that the deficit amount may become due and payable prior to that District's triennial reconciliation.

The Board of Directors believe these events will enhance the Consortium's ability to pay claims when they become due.



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

School Employees Insurance Consortium
Ross County
19463 Pherson Pike
Williamsport, Ohio 43164

To the Board of Directors:

We have audited the accompanying financial statements of the School Employees Insurance Consortium, Ross County, Ohio, (the Consortium) as of and for the year ended June 30, 2000 and have issued our report thereon dated September 8, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-60771-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Consortium in a separate letter dated September 8, 2000.

This report is intended for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

September 8, 2000

**SCHOOL EMPLOYEES INSURANCE CONSORTIUM
ROSS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

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

Finding Number

2000-60771-001

Ohio Rev. Code Section 135.07 states each governing board, in proceeding to award the inactive deposits of public monies subject to its control to public depositories, shall estimate the probable amount of public monies to be so deposited in and among the eligible public depositories applying therefor at the beginning of the period. Such board shall award the inactive deposits of public monies subject to its control to the eligible institution or institutions offering to pay the highest rate of interest permissible at the commencement of the period of designation on like time certificates of deposit or savings or deposit accounts, in the amount, as to each, specified in the application of the institution therefor.

The Consortium did not enter into a depository agreement with the financial institution holding public monies in a demand deposit account. Throughout the fiscal year ended June 30, 2000, the Consortium deposited in excess of \$11 million dollars into this demand deposit account.



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SCHOOL EMPLOYEE INSURANCE CONSORTIUM

ROSS 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 19, 2000**