

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

**AUDITED
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007*

CHRISTINE WAGNER, TREASURER



Mary Taylor, CPA
Auditor of State

Members of the Board of Directors
Ohio Schools Benefits Cooperative
205 N. 7th Street
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the Ohio Schools Benefits Cooperative, Muskingum County, prepared by Julian & Grube, Inc., for the audit period February 7, 2006 through June 30, 2008. 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 Ohio Schools Benefits Cooperative is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2009

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**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Members of the Board of Directors
Ohio School Benefits Cooperative
205 N. 7th Street
Zanesville, Ohio 43701

We have audited the accompanying financial statements of Ohio School Benefits Cooperative, Muskingum County, Ohio, as of and for the fiscal year ended June 30, 2008 and the period February 7, 2006 through June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Ohio School Benefits Cooperative'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 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, Ohio School Benefits Cooperative prepares its financial statements and notes on the modified cash basis of cash receipts and disbursements ("modified cash basis"), 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 Ohio School Benefits Cooperative, Muskingum County, Ohio, as of June 30, 2008 and 2007, and the respective changes in financial position for the fiscal year then ended June 30, 2008 and for the period February 7, 2006 through June 30, 2007 in conformity with the basis of accounting described in Note 2.

The Ohio School Benefits Cooperative has not presented the required supplementary information on revenue and claims development that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, on our consideration of the Ohio School Benefits Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Independent Auditor's Report
Ohio School Benefits Cooperative
Page Two

The management's discussion and analysis on pages 3-7, is not a required part of the 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 the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.
December 22, 2008

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)**

The management's discussion and analysis of the Ohio School Benefits Cooperative's, Muskingum County (the "Cooperative") financial performance provides an overall review of the Cooperative's financial activities for the fiscal year ended June 30, 2008 and for the period February 7, 2006 through June 30, 2007, within the limitations of the Cooperative's modified cash basis of accounting. The intent of this discussion and analysis is to look at the Cooperative'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 Cooperative's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets were \$1,884,444 at June 30, 2008, which represents an 10.3% increase from 2007.
- The Cooperative had operating cash receipts of \$13,313,072 and operating cash disbursements of \$13,194,319 for the fiscal year ended June 30, 2008. The Cooperative also received \$57,355 in interest income non-operating cash receipts during the year. The total change in net cash assets for the year was an increase of \$176,108.

Key financial highlights for 2007 are as follows:

- In total, net assets were \$1,708,336 at June 30, 2007.
- The Cooperative had operating cash receipts of \$18,595,480 and operating cash disbursements of \$16,991,655 for the period February 7, 2006 through June 30, 2007. The Cooperative also received \$104,511 in non-operating cash receipts during the period. The total change in net cash assets for the period was an increase of \$1,708,336.

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 Cooperative'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 Cooperative'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 Cooperative.

Reporting the Cooperative 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 2008 and 2007?" 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.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)**

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. 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 Cooperative’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 Cooperative as a whole, the modified cash basis financial position of the Cooperative 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 Cooperative’s net cash assets at June 30, 2008 and for the period February 7, 2006 through June 30, 2007. This is the Cooperative’s first period of operations in 2007, thus, comparative information is not available.

	Net Assets	
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 1,884,444	\$ 1,708,336
Total assets	<u>1,884,444</u>	<u>1,708,336</u>
<u>Net Cash Assets</u>		
Unrestricted	<u>1,884,444</u>	<u>1,708,336</u>
Total net cash assets	<u>\$ 1,884,444</u>	<u>\$ 1,708,336</u>

Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2008 and June 30, 2007, the Cooperative’s net cash assets totaled \$1,884,444 and \$1,708,336, respectively.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)

The table below shows the changes in net cash assets for the period ending June 30, 2008 and the period February 7, 2006 through June 30, 2007. This is the Cooperative's first period of operations in 2007, thus, comparative information is not available.

Change in Net Cash Assets

	<u>2008</u>	<u>2007</u>
<u>Operating cash receipts:</u>		
Contributions from members	\$ 13,313,072	\$ 18,595,480
Total operating cash receipts	<u>13,313,072</u>	<u>18,595,480</u>
<u>Operating cash disbursements:</u>		
Claims	9,188,885	12,742,515
Stop loss fees	2,150,379	2,466,662
Administrative fees	1,138,614	923,813
Brokerage service fees	624,658	738,391
Legal fees	16,646	35,159
Fiscal agent fees	29,187	34,007
Miscellaneous	<u>45,950</u>	<u>51,108</u>
Total operating cash disbursements	<u>13,194,319</u>	<u>16,991,655</u>
<u>Non-operating cash receipts:</u>		
Interest income	57,355	54,511
Start-up loan	<u>-</u>	<u>50,000</u>
Total non-operating cash receipts	<u>57,355</u>	<u>104,511</u>
Change in net cash assets	176,108	1,708,336
Net cash assets at beginning of year	<u>1,708,336</u>	<u>-</u>
Net cash assets at end of year	<u>\$ 1,884,444</u>	<u>\$ 1,708,336</u>

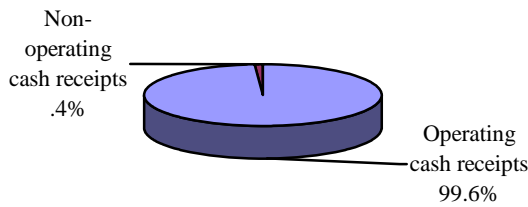
For fiscal year 2008, operating cash receipts decreased 28.4% and operating cash disbursements decreased 22.3%, respectively, over the period February 7, 2006 through June 30, 2006. The operating cash receipts and disbursements decreased due to a decrease in member districts in fiscal year 2008.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

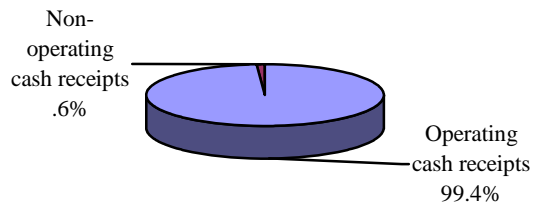
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)**

The charts below illustrate the cash receipts and disbursements for the Cooperative for fiscal year 2008 and the period February 7, 2006 through June 30, 2007. This is the Cooperative’s first period of operations in 2007, thus, comparative information is not available.

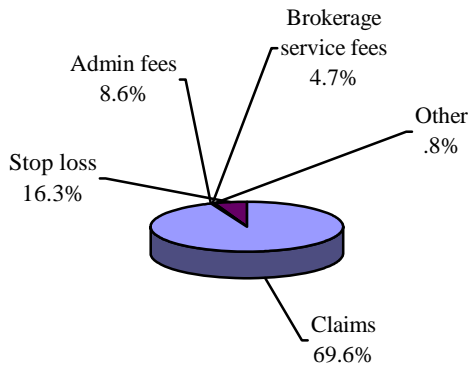
2008 Cash Receipts



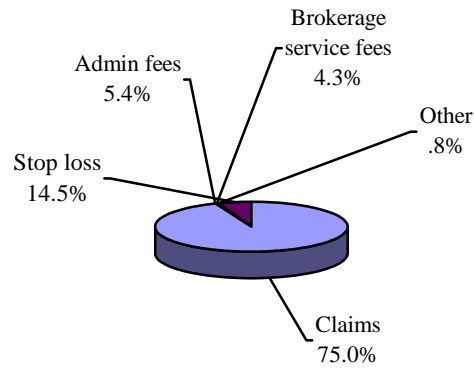
2007 Cash Receipts



2008 Operating Cash Disbursements



2007 Operating Cash Disbursements



Current Financial Related Activities

The Cooperative is a not-for-profit insurance Cooperative owned and operated by 14 and 15 school districts at June 30, 2008 and 2007, respectively in Ohio. The Cooperative’s main source of operating cash receipts is premiums paid by the member school districts. The Cooperative also receives interest receipts through investments.

The Cooperative 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 Cooperative 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.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)**

The Cooperative 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 Cooperative Board and its consultant, Medical Mutual, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for Cooperative members.

Establishing premiums that satisfy all claims, administration fees, and other expenses of the Cooperative, in addition to enhancing the net cash assets position is important for the short-term and long-term interests of the Cooperative.

The most significant challenge facing the Cooperative 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 2,500 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 Cooperative must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Cooperative and its Board, and the future looks better from the collective, as opposed to individual, view of the fourteen participating districts.

Contacting the Cooperative's Financial Management

This financial report is designed to provide our member districts and citizens with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Christine Wagner, Treasurer, Ohio School Benefits Cooperative, 205 N. 7th Street, Zanesville, Ohio 43701.

**BASIC
FINANCIAL STATEMENTS**

**OHIO SCHOOL BENEFITS CONSORTIUM
MUSKINGUM COUNTY, OHIO**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2008 AND 2007

	2008	2007
Assets:		
Equity in pooled cash and investments	\$ <u>1,884,444</u>	\$ <u>1,708,336</u>
Total assets.	\$ <u>1,884,444</u>	\$ <u>1,708,336</u>
Net Cash Assets:		
Unrestricted.	\$ <u>1,884,444</u>	\$ <u>1,708,336</u>
Total net cash assets.	\$ <u><u>1,884,444</u></u>	\$ <u><u>1,708,336</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO SCHOOL BENEFITS CONSORTIUM
MUSKINGUM COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating cash receipts:	
Contributions from members.	\$ 13,313,072
Total operating cash receipts.	<u>13,313,072</u>
Operating cash disbursements:	
Claims.	9,188,885
Stop loss fees.	2,150,379
Administrative fees.	1,138,614
Brokerage service fees.	624,658
Legal fees.	16,646
Fiscal agent fees.	29,187
Miscellaneous.	45,950
Total operating cash disbursements	<u>13,194,319</u>
Excess of operating cash receipts over (under) operating cash disbursements.	<u>118,753</u>
Non-operating cash receipts:	
Interest income	<u>57,355</u>
Total non-operating cash receipts.	<u>57,355</u>
Change in net cash assets.	176,108
Net cash assets at beginning of year.	<u>1,708,336</u>
Net cash assets at end of year	<u><u>\$ 1,884,444</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO SCHOOL BENEFITS CONSORTIUM
MUSKINGUM COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS - MODIFIED CASH BASIS
FOR THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007

Operating cash receipts:	
Contributions from members.	\$ 18,595,480
Total operating cash receipts.	<u>18,595,480</u>
 Operating cash disbursements:	
Claims.	12,742,515
Stop loss fees.	2,466,662
Administrative fees.	923,813
Brokerage service fees.	738,391
Legal fees.	35,159
Fiscal agent fees	34,007
Miscellaneous.	51,108
Total operating cash disbursements	<u>16,991,655</u>
 Excess of operating cash receipts over (under) operating cash disbursements.	 <u>1,603,825</u>
 Non-operating cash receipts:	
Start-up loan	50,000
Interest income	54,511
Total non-operating cash receipts.	<u>104,511</u>
 Change in net cash assets.	 1,708,336
 Net cash assets at beginning of year.	 <u>-</u>
Net cash assets at end of year	<u>\$ 1,708,336</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE COOPERATIVE

The Ohio School Benefits Cooperative, Muskingum County, (the "Cooperative") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Cooperative was established on February 7, 2006, formed by Boards of Education of several school districts in southeast Ohio, for the purpose of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees.

The Cooperative 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 Cooperative bylaws.

The Governing Board of the Cooperative is a Board of Directors composed of the Superintendents and Treasurers of the member districts. Each spring, a meeting of the General Membership is held, during which the Board of Directors is elected. The Board consists of nine representatives, who serve staggering three-year terms. All representatives serve without compensation. As of June 30, 2007, there were fifteen participating members of the Cooperative and as of June 30, 2008, there were fourteen participating members.

The Cooperative's management believes these modified cash basis financial statements present all activities for which the Cooperative 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 Cooperative'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 Cooperative's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Cooperative'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.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007

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 Cooperative 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 Cooperative. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of the Cooperative. All cash receipts and cash disbursements not meeting this definition are reported as non-operating.

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.

D. Budgetary Process

The Cooperative is not required to follow the budgetary process by law, but the Board of Directors does approve estimated receipts and disbursements each September.

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 Cooperative had no restricted net cash assets at period year-end.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Cooperative 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 Cooperative treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the Cooperative 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.

Protection of Cooperative'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.

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.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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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 Cooperative, 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, 2008, the carrying amount of the Cooperative's deposits was \$44,834, exclusive of the \$1,839, 610 repurchase agreement included in the investments below. At June 30, 2007, the carrying amount of the Cooperative's deposits was \$15,977, exclusive of \$1,692,359 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2008, all of the Cooperative's bank balance of \$92,915 was covered by the Federal Deposit Insurance Corporation and as of June 30, 2007, all of the Cooperative's bank balance of \$78,760 was covered by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2008, the Cooperative had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or Less
Repurchase agreement	\$ 1,839,610	\$ 1,839,610
Total	<u>\$ 1,839,610</u>	<u>\$ 1,839,610</u>

As of June 30, 2007, the Cooperative had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or Less
Repurchase agreement	\$ 1,692,359	\$ 1,692,359
Total	<u>\$ 1,692,359</u>	<u>\$ 1,692,359</u>

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 Cooperative's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities that underlie the Cooperative's repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Cooperative's \$1,839,610 investment in repurchase agreements at June 30, 2008 and the \$1,692,359 at June 30, 2007, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Cooperative. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Cooperative 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 Cooperative 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 Cooperative at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 1,839,610</u>	<u>100.00</u>

The following table includes the percentage of each investment type held by the Cooperative at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 1,692,359</u>	<u>100.00</u>

NOTE 4 - RISK MANAGEMENT

The Cooperative contracts with a third party administrator, Medical Mutual of Ohio, to process and pay claims, incurred by its members. Members pay monthly premiums to the Cooperative based upon each members individual rating. The Treasurer issues payments to the third party administrator for actual insurance claims processed, stop-loss premiums, and administrative charges.

The Cooperative employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Cooperative 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.

**OHIO SCHOOL BENEFITS COOPERATIVE
MUSKINGUM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
AND THE PERIOD FEBRUARY 7, 2006 THROUGH JUNE 30, 2007

NOTE 4 - RISK MANAGEMENT - (Continued)

A comparison of the Cooperative's cash and investments to the actuarially-measured liability as of June 30, 2008 and 2007 follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and Investments	\$ 1,884,444	\$ 1,708,336
Actuarial Liabilities	1,375,000	1,718,000

NOTE 5 - DEBT OBLIGATIONS

On February 13, 2006, the Cooperative received a start-up loan from Medical Mutual in the amount of \$50,000. The loan accrues 5% interest annually until paid in full. The Cooperative may repay any or all principal amounts, at any time or from time to time, at its discretion, without penalty, but all such amounts shall be repaid no later than December 31, 2010. No payments have been made as of June 30, 2008.



Julian & Grube, Inc.
Serving Ohio Local Governments

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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***

Members of the Board of Directors
Ohio School Benefits Cooperative
205 N. 7th Street
Zanesville, Ohio 43701

We have audited the financial statements of Ohio School Benefits Cooperative (the “Cooperative”) as of and for the fiscal year ended June 30, 2008 and the period February 7, 2006 through June 30, 2007, and have issued our report thereon dated December 22, 2008, wherein we noted the Cooperative prepared its financial on the modified cash basis, 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 *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 Ohio School Benefits Cooperative’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 Ohio School Benefits Cooperative’s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Ohio School Benefits Cooperative’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 Ohio School Benefits Cooperative’s ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of Ohio School Benefits Cooperative’s financial statements that is more than inconsequential will not be prevented or detected by Ohio School Benefits Cooperative’s internal control.

A material weakness is a significant deficiency, or 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 Ohio School Benefits Cooperative’s internal control.

Our consideration of 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.

Members of the Board of Directors
Ohio School Benefits Cooperative

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio School Benefits Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Members of the Board of Directors and management of Ohio School Benefits Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.
December 22, 2008



Mary Taylor, CPA
Auditor of State

**OHIO SCHOOLS BENEFITS COOPERATIVE
MUSKINGUM 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 10, 2009**