



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 9, 2006

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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 Directors:

We have audited the accompanying financial statements of OME-RESA Health Benefits Consortium, Jefferson County, (the Consortium) as of and for the years ended June 30, 2005, 2004, and 2003. 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Consortium has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Consortium to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005 and June 30, 2004. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Consortium has elected not to reformat its statements. Since this Consortium does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2005 and June 30, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of June 30, 2005 and June 30, 2004, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of OME-RESA Health Benefits Consortium, Jefferson County, as of June 30, 2005, 2004, and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion and Analysis for the years ended June 30, 2005 and June 30, 2004. The Consortium has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006, 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 other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

June 9, 2006



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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ENTERPRISE FUND  
FOR THE YEARS ENDED JUNE 30, 2005, 2004, AND 2003**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Cash Receipts:</b>			
Contributions from Members	\$68,267,068	\$64,473,203	\$50,295,456
Investment earnings	175,095	91,952	154,010
<b>Total Cash Receipts</b>	<b>68,442,163</b>	<b>64,565,155</b>	<b>50,449,466</b>
<b>Cash Disbursements:</b>			
Claims Payments	46,435,193	43,661,587	42,919,628
Stop Loss Premiums	7,054,519	7,649,888	5,813,447
Administrative Fees	5,637,188	3,536,163	3,612,952
Life and Vision Premiums	694,305	709,358	703,993
Bank Charges		15,906	11,368
<b>Total Disbursements</b>	<b>59,821,205</b>	<b>55,572,902</b>	<b>53,061,388</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>8,620,958</b>	<b>8,992,253</b>	<b>(2,611,922)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Refund of Prior Year Expenditures	671,416	2,174,651	1,128,708
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>671,416</b>	<b>2,174,651</b>	<b>1,128,708</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>9,292,374</b>	<b>11,166,904</b>	<b>(1,483,214)</b>
<b>Fund Cash Balances, July 1 (Restated, See Note 3)</b>	<b>15,432,894</b>	<b>4,265,990</b>	<b>5,749,204</b>
<b>Fund Cash Balances, June 30</b>	<b>\$24,725,268</b>	<b>\$15,432,894</b>	<b>\$4,265,990</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005, 2004, AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

Contributions to the Consortium are received monthly from the participants and their employees based upon amounts determined by independent insurance consultants. At June 30, 2005, a third party insured the Consortium for claims in excess of \$150,000 per participant.

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

A participant may withdraw from the Consortium or any particular benefits program. Five participants withdrew from the Consortium while two additional participants enrolled during the period July 1, 2002 through June 30, 2005.

All administrative costs and expenses incurred for the maintenance of the Consortium have been paid by the participants through June 30, 2005.

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

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

**B. Basis of Accounting**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005, 2004, AND 2003  
(Continued)**

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

**C. Cash and Investments**

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

The Consortium values certificates of deposit at cost

**D. Budgetary Process**

The budgetary process is not a requirement of the Consortium.

**2. EQUITY IN CASH AND INVESTMENTS**

The carrying amount of cash and investments at June 30 follows:

	2005	2004	2003
Demand deposits	\$15,883,268	\$8,590,894	\$1,423,990
Certificates of deposit	8,842,000	6,842,000	2,842,000
Total deposits	<u>\$24,725,268</u>	<u>\$15,432,894</u>	<u>\$4,265,990</u>

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

**3. RESTATEMENT OF FUND BALANCE**

Fund balances presented on the Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances at June 30, 2002 have been restated.

	Enterprise Fund	Internal Service Fund	Agency Fund
Fund Balances as previously stated	\$0	\$402,634	\$5,346,570
Fund Reclassifications	5,749,204	(402,634)	(5,346,570)
Fund Balances Restated at July 1, 2002	\$5,749,204	\$0	\$0

**4. RISK MANAGEMENT**

**Self Insurance**

The OME-RESA Health Benefits Insurance Consortium is a claims servicing self-insurance pool organized under Ohio Revised Code Chapter 167 for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents. The Consortium contracts with third party administrators to process and pay health claims, dental claims and vision claims incurred by its members. The Consortium also purchases stop loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005, 2004, AND 2003  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are claims by eligible employees which are payable by each member, the member's share of the medical, prescription, vision and dental insurance premiums, and their proportionate share of the administrative costs of the Consortium.

The actual balance of each member's account is determined on an annual basis. Each member is required to meet or exceed the claims that have been incurred but not reported (IBNR) and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

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

**5. CLAIMS LIABILITY**

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

	2005	2004	2003
Cash and Investments	\$24,725,268	\$15,432,894	\$4,265,990
Actuarial liabilities	8,164,000	8,365,000	9,010,447
Excess funds before fluctuation reserve	16,561,268	7,067,894	(4,744,457)
Fluctuation reserves	13,979,674	5,245,749	0
<b>Excess Funds</b>	<b>\$2,581,594</b>	<b>\$1,822,145</b>	<b>(\$4,744,457)</b>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Directors:

We have audited the financial statements of the OME-RESA Health Benefits Consortium, Jefferson County, (the Consortium) as of and for the years ended June 30, 2005, 2004 and 2003, and have issued our report thereon dated June 9, 2006, wherein we noted the Consortium followed accounting practices the Auditor of State prescribes rather 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Consortium's management dated June 9, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the Consortium's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

OME-RESA Health Benefits Consortium  
Jefferson County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the management, and the Board of Directors. It is not intended for 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 9, 2006



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

**SCHEDULE OF FINDINGS  
JUNE 30, 2005, 2004, AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Finding for Recovery**

Each year the OME-RESA Health Benefits Consortium hosts a reception at the Ohio Association of School Business Officials (OASBO) conference.

On December 2, 2003, check number 3948 was issued to VISA Credit in the amount of \$4,861.73 to cover the costs of the hospitality reception at the 2003 OASBO conference. Of this amount, \$923.50 was used to pay for alcoholic beverages served at the reception.

On January 26, 2005, check #4451 was issued to Crowne Plaza Hotel in the amount of \$3,810.90 to cover the costs of the hospitality reception at the 2004 OASBO conference. Of this amount, \$824.25 was used to pay for alcoholic beverages served at the reception.

As stated in Auditor of State Bulletin 2003-005, the Auditor of State does not view the expenditure of public funds for alcoholic beverages as a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is issued against Debbie Compano, former Treasurer in the amount of \$923.50 and in favor of OME-RESA Health Benefits Consortium Operating Fund in the amount of \$923.50.

Additionally, a finding for recovery for public monies illegally expended is issued against Karen Blake, current Treasurer in the amount of \$824.50 and in favor of OME-RESA Health Benefits Consortium Operating Fund in the amount of \$824.50.

The finding for recovery has been repaid under audit in the amount of \$1,747.75, which was received on February 21, 2006 and has been credited to the OME-RESA Health Benefits Insurance Consortium Operating Fund.





**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  
AUGUST 10, 2006**