

***East Ohio Schools Employees Insurance Consortium***

**TUSCARAWAS COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended September 30, 2009  
(With Comparative Totals for September 30, 2008)**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
East Ohio Schools Employees Insurance Consortium  
219 West Sixth Street  
Dover, Ohio 44622

We have reviewed the *Report of Independent Accountants* of the East Ohio Schools Employees Insurance Consortium, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period October 1, 2008 through September 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 9, 2010

**This Page is Intentionally Left Blank.**

**East Ohio Schools Employees Insurance Consortium**  
**TUSCARAWAS COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended September 30, 2009**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to the Basic Financial Statements	10-13
Required Supplemental Information	
Claims Development Information	14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	15-16
Status of Prior Audit Findings	17

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

East Ohio Schools Employees Insurance Consortium  
219 W. 6<sup>th</sup> Street  
Dover, OH 44622

To the Board of Directors:

We have audited the financial statements of the East Ohio Schools Employees Insurance Consortium (the Consortium), Tuscarawas County as of and for the year ended September 30, 2009, as listed in the table of contents. 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. The financial statements of the Consortium as of September 30, 2008 were audited by other auditors whose report dated March 18, 2009, expressed an unqualified opinion on those statements.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Ohio Schools Employees Insurance Consortium, Tuscarawas County, as of September 30, 2009, and the results of its operations and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2010, on our consideration of the Consortium internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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 read in conjunction with this report in considering the results of our audit.

**Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

**Our audit was performed for the purpose of forming an opinion on the financial statements of the East Ohio Schools Employees Insurance Consortium, Tuscarawas County. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.**

***Charles E. Harris & Associates, Inc.***

**March 5, 2010**

**East Ohio Schools Employee Insurance Consortium  
Management's Discussion and Analysis  
For Year Ended September 30, 2009  
Unaudited**

The discussion and analysis of East Ohio Schools Employee Insurance Consortium financial performance provides an overall review of East Ohio Schools Employee Insurance Consortium for the year ended September 30, 2009. The intent of this discussion and analysis is to review East Ohio Schools Employee Insurance Consortium performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of East Ohio Schools Employee Insurance Consortium performance.

**Financial Highlights**

Key financial highlights for the period ending September 30, 2009 are as follows:

- Cash and Cash Equivalents have increased 29% over the past two years rising from \$2,770,399 as of September 30, 2007 to \$3,579,189 as of September 30, 2009.
- Operating in an environment of rising health care costs, East Ohio Schools Employee Insurance Consortium claim expense increased 16% from \$3,990,774 to \$4,635,464 for the periods ending September 30, 2007 and 2008, respectively. Claim expense for the period ending September 30, 2009 stayed consistent rising less than 1% from the previous year to \$4,654,298.
- The Consortium's maximum liability per participant for the plan years ending September 30, 2009, 2008, and 2007 was \$35,000. Four claimants exceeded the limit for the each plan year ending September 30, 2009 and 2008. Three claimants exceeded the limit for the plan year ending September 30, 2007.
- Carrier premiums decreased by approximately \$39,000 and PPO fees decreased by approximately \$8,800 from the period ending September 30, 2007 to September 30, 2009. OME-RESA fees to maintain membership have increased approximately \$256,000 over the same time span. However, all aggregated expenses other than claim expense raised approximately \$37,000, a 2.5% increase.

**Using the Basic Financial Statements**

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



**East Ohio Schools Employee Insurance Consortium  
Management's Discussion and Analysis  
For Year Ended September 30, 2009  
Unaudited**

**STATEMENTS OF CHANGES IN NET ASSETS**

	For the years ended September 30,		
	2009	2008	2007
<b><u>REVENUE</u></b>			
Employer Premium Billings	\$6,331,547	\$6,328,524	\$6,012,715
COBRA	8,876	10,608	24,810
Interest Income	72,343	97,669	102,830
Miscellaneous Income	6,955	761	1,213
<b>Total Revenue</b>	<b>6,419,721</b>	<b>6,437,562</b>	<b>6,141,568</b>
<b><u>BENEFIT PLAN EXPENSES</u></b>			
Carrier Premiums	79,115	89,487	117,870
Utilization Review - Advocare	13,383	13,675	13,878
Klais Administration Fees	129,728	130,961	139,078
Prescription Vendor Admin Fees	0	0	60
Medical Mutual of Ohio Fees	114,511	121,560	123,320
Printing	1,057	1,070	0
Professional Fees	11,090	14,685	9,025
OME-RESA Fees	1,160,754	1,003,373	904,423
Bank Fees	844	0	0
Postage	620	634	665
Claims Account Expense	4,654,298	4,635,464	3,990,774
Change in Claims Expense	(3,000)	122,000	163,000
<b>Total Benefit Plan Expenses</b>	<b>6,162,400</b>	<b>6,132,909</b>	<b>5,462,093</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$257,321</b>	<b>\$304,653</b>	<b>\$679,475</b>

**East Ohio Schools Employee Insurance Consortium  
Management's Discussion and Analysis  
For Year Ended September 30, 2009  
Unaudited**

**BALANCE SHEETS**

	For the years ended September 30,		
	2009	2008	2007
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Equivalents	\$3,579,189	\$3,015,686	\$2,770,399
Accounts Receivable	148,452	298,917	115,301
<b>Total Assets</b>	<b>3,727,641</b>	<b>3,314,603</b>	<b>2,885,700</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	160,967	2,250	0
Liability for Claims Incurred But Not Reported	707,000	710,000	588,000
<b>Total Liabilities</b>	<b>867,967</b>	<b>712,250</b>	<b>588,000</b>
<b><u>NET ASSETS</u></b>	<b>2,859,674</b>	<b>2,602,353</b>	<b>2,297,700</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$3,727,641</b>	<b>\$3,314,603</b>	<b>\$2,885,700</b>

After just a few years in existence, the Consortium has been able to build a sizable reserve of \$2,859,674, committed to building reserves despite rising health care costs.

**Current Issues**

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

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

**East Ohio Schools Employee Insurance Consortium  
Management's Discussion and Analysis  
For Year Ended September 30, 2009  
Unaudited**

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

**Contacting East Ohio Schools Employee Insurance Consortium's Financial Management**

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

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM  
TUSCARAWAS COUNTY  
BALANCE SHEETS  
SEPTEMBER 30, 2009 AND 2008**

	2009	2008
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 3,579,189	\$ 3,015,686
Accounts Receivable (no allowance considered necessary)	148,452	298,917
	<b>\$ 3,727,641</b>	<b>\$ 3,314,603</b>
 <b><u>Liabilities</u></b>		
Current liabilities		
Accounts Payable	\$ 160,967	\$ 2,250
Liability for claims incurred but not reported	707,000	710,000
	867,967	712,250
 <b>NET ASSETS</b>		
Unreserved	2,859,674	2,602,353
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 3,727,641</b>	 <b>\$ 3,314,603</b>

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

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM  
TUSCARAWAS COUNTY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	2009	2008
<b><u>OPERATING REVENUES:</u></b>		
Employer premium billing	\$ 6,331,547	\$ 6,328,524
Cobra contributions	8,876	10,608
Interest Income	72,343	97,669
Miscellaneous Income	6,955	761
<b>TOTAL OPERATING REVENUES</b>	6,419,721	6,437,562
<b><u>OPERATING EXPENSES:</u></b>		
Claims paid	4,654,298	4,635,464
Insurance Premium for coverage	79,115	89,487
Administrative fees	1,420,898	1,271,273
Professional fees	11,089	14,685
Change in claims incurred but not reported	(3,000)	122,000
<b>TOTAL OPERATING EXPENSES</b>	6,162,400	6,132,909
Changes in Net Assets	257,321	304,653
Net Assets (Deficit) Beginning of Year	2,602,353	2,297,700
Net Assets (Deficit) End of Year	\$ 2,859,674	\$ 2,602,353

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

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM  
TUSCARAWAS COUNTY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received for premiums and other operating revenue	\$ 6,570,186	\$ 6,253,946
Cash paid for premiums and claims	(4,737,471)	(4,604,021)
Cash paid to vendors for services	(1,269,212)	(1,404,638)
Cash provided by operating activities	<u>563,503</u>	<u>245,287</u>
Net increase in cash and cash equivalents	563,503	245,287
Cash and cash equivalents, beginning of year	<u>3,015,686</u>	<u>2,770,399</u>
Cash and cash equivalents, end of year	<u>\$ 3,579,189</u>	<u>\$ 3,015,686</u>
Cash flows from operating activities:		
Change in Net Assets	\$ 257,321	\$ 304,653
Changes in operating assets and liabilities:		
Accounts receivable	150,465	(183,616)
Accounts payable	158,717	2,250
Liability for claims incurred but not reported	(3,000)	122,000
Cash provided by operating activities	<u>563,503</u>	<u>245,287</u>
Net increase in cash and cash equivalents	<u>\$ 563,503</u>	<u>\$ 245,287</u>

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

**East Ohio Schools Employees Insurance Consortium**  
**Tuscarawas County**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2009**

A. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

**East Ohio Schools Employees Insurance Consortium**  
**Tuscarawas County**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2009**

A. DESCRIPTION OF THE ENTITY (continued)

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

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

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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



**East Ohio Schools Employees Insurance Consortium**  
**Tuscarawas County**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2009**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

**Cash and Cash Equivalents** - The Consortium has established a reserve fund with OME-RESA. The cash balance related to this reserve was \$2,672,258 and \$2,095,623 at September 30, 2009 and 2008, respectively. OME-RESA Health Benefits maintains these funds at two different banks in CD's that sweep; therefore the balance is currently insured to a maximum of \$500,000. During the fiscal years ended September 30, 2009 and 2008, the Consortium had uninsured cash balances at banking institutions, however management has not experienced losses related to cash.

**Estimates** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require the Directors to make estimates and assumptions that affect the reported amounts of Consortium assets, liabilities, and benefit obligations, and the reported increases and reductions of Consortium assets during the reporting period. Actual results could differ from those estimates.

**Reclassifications** - Certain amounts from the prior year have been reclassified to conform to more accurate presentation.

C. ADMINISTRATIVE FEES

The Consortium has contracted with Klais and Company (Claims Administrator) to provide claims processing, payment and/or administrative services in connection with the benefit programs being offered by or through the consortium. Fees for these services were \$129,728 and \$130,961 for the years ended September 30, 2009 and 2008, respectively.

D. RISK MANAGEMENT

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

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

**East Ohio Schools Employees Insurance Consortium**  
**Tuscarawas County**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2009**

E. UNPAID CLAIMS LIABILITIES

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

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 710,000	\$ 588,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	4,637,049	4,734,003
Decreases in provision for insured events of prior years	<u>14,249</u>	<u>23,461</u>
Total incurred claims and claim adjustment expenses	\$ 4,651,298	\$ 4,757,464
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	\$ (4,005,656)	\$ (4,103,528)
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(648,642)</u>	<u>(531,936)</u>
Total Payments	<u>(4,654,298)</u>	<u>(4,635,464)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 707,000</u>	<u>\$ 710,000</u>

EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM  
 REQUIRED SUPPLEMENTAL INFORMATION  
 CLAIMS DEVELOPMENT INFORMATION

<u>Fiscal and Policy Year Ended</u>	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>9/30/2004</u>
<b>1. Net earned required contribution and investment revenues</b>	\$ 6,419,721	\$ 6,437,562	\$ 6,141,568	\$ 5,799,690	\$ 5,240,410	\$ 5,246,993
<b>2. Unallocated expenses</b>	1,431,987	1,283,709	1,190,449	969,573	325,674	236,550
<b>3. Estimated incurred claims and expense, end of policy year</b>	4,637,049	4,734,003	4,105,786	4,090,064	4,562,248	3,778,364
<b>4. Paid (cumulative) as of:</b>						
End of policy year	4,005,656	4,103,528	3,593,939	3,739,600	3,977,799	3,413,342
One year later		4,738,307	4,125,974	4,114,330	4,478,273	3,764,666
Two years later			4,139,837	4,114,231	4,500,378	3,763,260
Three years later				4,114,231	4,500,378	3,763,260
Four years later					4,500,378	3,763,260
Five years later						3,763,260
Six years later						
<b>5. Re-estimated incurred claims and expense:</b>						
End of policy year	4,637,049	4,734,003	4,105,786	4,090,064	4,562,248	3,778,364
One year later		4,734,389	4,129,346	4,115,947	4,496,630	3,767,445
Two years later			4,143,209	4,115,848	4,518,735	3,766,039
Three years later				4,115,848	4,518,735	3,766,039
Four years later					4,518,735	3,766,039
Five years later						3,766,039
Six years later						
<b>6. Increase (decrease) in estimated incurred claims and expense from end of policy year</b>	0	386	37,423	25,784	(43,513)	(12,325)

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

East Ohio Schools Employees Insurance Consortium  
219 W 6<sup>th</sup> Street  
Dover, OH 44622

To the Board of Directors:

We have audited the financial statements of the East Ohio Schools Employees Insurance Consortium, Tascaras County (the Consortium) as of and for the year ended September 30, 2009, and have issued our report thereon dated March 5, 2010. 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 Controls Over Financial Reporting**

In planning and performing our audit, we considered the Consortium'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 the Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Consortium's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Consortium's financial statements that is more than inconsequential will not be prevented or detected by the Consortium's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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*.

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

***Charles E. Harris & Associates, Inc.***

March 5, 2010

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM  
TUSCARAWAS COUNTY, OHIO  
For the Year Ended September 30, 2009**

**Status of Prior Audit Findings**

The prior audit report, for the year ended September 30, 2008, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**EAST OHIO SCHOOLS EMPLOYEES INSURANCE CONSORTIUM**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 6, 2010**