



**COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM  
COLUMBIANA COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM  
COLUMBIANA COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Columbiana County Schools Health Care Benefits Consortium  
Columbiana County  
200 West North Avenue  
East Palestine, Ohio 44413-1772

To the Board of Directors:

We have audited the accompanying financial statements of the Columbiana County Schools Health Care Benefits Consortium as of and for the years ended June 30, 2001 and June 30, 2000. These financial statements are the responsibility of the Columbiana County Schools Health Care Benefits Consortium's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Columbiana County Schools Health Care Benefits Consortium, as of June 30, 2001 and June 30, 2000, and its cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2001 on our consideration of the Columbiana County Schools Health Care Benefits Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of, management, Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 10, 2001

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**COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM  
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - CONSORTIUM FUND  
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000**

	<b>2001</b>	<b>2000</b>
<b>Cash Receipts:</b>		
Contributions from Members	\$5,892,425	\$5,129,113
Payments from Stop Loss Provider	526,533	
Earnings on Investments	97,457	108,723
 Total Cash Receipts	 6,516,415	 5,237,836
 <b>Cash Disbursements:</b>		
Claims Payments	6,459,146	4,899,815
Administration Fees	199,832	142,519
Stop Loss Insurance Payments	240,376	225,457
Miscellaneous Cash Disbursements	395,910	212,028
 Total Cash Disbursements	 7,295,264	 5,479,819
 Excess of Cash Receipts Over/ (Under) Cash Disbursements	 (778,849)	 (241,983)
 Fund Cash Balance - July 1	 2,004,907	 2,246,890
 <b>Fund Cash Balances - June 30</b>	 <b>\$1,226,058</b>	 <b>\$2,004,907</b>

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

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**COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM  
COLUMBIANA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Columbiana County Schools Health Care Benefits Consortium (the Consortium) is a school district insurance consortium established pursuant to Ohio Revised Code Chapter 167. The Consortium is directed by a Board of Directors. The participating school districts' boards' of education each appoint one member to the Board of Directors. The Consortium administers medical, prescription, vision, and dental benefit plans for employees of the participating school districts and their eligible dependents.

Contributions to the Consortium are received monthly from the member school districts and their employees based upon amounts determined by independent insurance consultants. For the period July 1, 1999 through June 30, 2001, a third-party insured the Consortium for each claim in excess of \$95,000 up to \$2,000,000, except for those member school districts whose negotiated plan establishes lower limits. A shared risk pool, as a separate account of the Consortium, pays claims equal to the difference between \$65,000 and \$95,000. As of June 30, 2001 and June 30, 2000, the balances in the shared risk pool were \$544,666 and \$883,158, respectively. As of June 30, 2001 and June 30, 2000, the total individual account balances for all member school districts were \$681,393 and \$1,121,750, respectively.

Although a participant may withdraw from the Consortium or any particular benefits program, no participant withdrew from the Consortium during the period July 1, 1999 through June 30, 2001.

All administrative costs and expenses incurred for the maintenance of the Consortium have been paid by the participants through June 30, 2001.

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

**B. BASIS OF ACCOUNTING**

The Consortium's financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

The Consortium's financial statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**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.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM  
COLUMBIANA COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The carrying amount of the Consortium's cash and investments at June 30 was as follows:

	<b>2001</b>	<b>2000</b>
Demand deposits	\$465,539	\$386,457
STAR Ohio	<u>760,519</u>	<u>1,618,450</u>
Total deposits and investments	<u>\$1,226,058</u>	<u>\$2,004,907</u>

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

**Investments:** The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

**3. UNFUNDED CLAIMS**

The Consortium obtains an actuarial report that reflects a valuation that provides an estimate of runoff liability for incurred but not reported (IBNR) claims of the insurance program based on an analysis of historic claims data and generally accepted actuarial principles. The actuarial report for the period ended June 30, 2001 reflects estimated claims as of June 30, 2001 at \$1,141,402. Reported reserve funds available to pay IBNR claims as of that date are \$769,235. Thus, according to the actuarial report estimated IBNR claims as of June 30, 2001 were unfunded by \$372,167.

The agreement establishing the Consortium provides that the member school districts (participants) assume the financial risk of the Consortium to ensure the stability of the Consortium's financial position. The agreement also provides that the participants' contributions to the Consortium, and the disbursements made by the Consortium on the participants' behalf, shall be evaluated annually to decide whether the Consortium should make an adjustment to the amount the participants contribute. Pursuant to this funding arrangement and to meet the above stated IBNR claims, the Board of Directors required one participant to make an additional (thirteenth) payment for 2001 in the amount of \$800,000 which was received by the Consortium July 2001. Also, pursuant to this funding arrangement and to meet the above stated IBNR claims, the Board of Directors passed a resolution, effective July 1, 2001, that increases the participants' monthly contributions to the Consortium for a family coverage plan by 19.9% and for a single coverage plan by 21.4%.



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

Columbiana County Schools Health Care Benefits Consortium  
Columbiana County  
200 West North Avenue  
East Palestine, Ohio 44413-1772

To the Board of Directors:

We have audited the financial statements of the Columbiana County Schools Health Care Benefits Consortium as of and for the years ended June 30, 2001 and June 30, 2000 and have issued our report thereon dated December 10, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Columbiana County Schools Health Care Benefits Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Columbiana County Schools Health Care Benefits Consortium  
Columbiana County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of management and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 10, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM**

**COLUMBIANA 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  
JANUARY 15, 2002**