



**COLUMBIANA COUNTY SCHOOL EMPLOYEES INSURANCE CONSORTIUM
COLUMBIANA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2003-2002



**Auditor of State
Betty Montgomery**

**COLUMBIANA COUNTY SCHOOL EMPLOYEES
INSURANCE CONSORTIUM
COLUMBIANA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Columbiana County School Employees Insurance 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 School Employees Insurance Consortium (the Consortium) as of and for the years ended June 30, 2003 and June 30 2002. 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 *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 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 the Consortium as of June 30, 2003 and June 30, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2004 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Columbiana County School Employees
Insurance Consortium
Columbiana County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 30, 2004

**COLUMBIANA COUNTY SCHOOL EMPLOYEES
INSURANCE CONSORTIUM
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - INSURANCE CONSORTIUM FUND
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002**

	2003	2002
Cash Receipts:		
Contributions from Members	\$9,599,985	\$8,733,553
Stop Loss Refund	113,400	513,416
Earnings on Investments	20,651	26,483
Total Cash Receipts	9,734,036	9,273,452
Cash Disbursements:		
Claims Payments	8,266,200	7,609,964
Administration Fees	214,580	203,582
Stop Loss Insurance Payments	336,425	327,475
Miscellaneous Cash Disbursements	5,223	8,021
Total Cash Disbursements	8,822,428	8,149,042
Excess of Cash Receipts Over/ (Under) Cash Disbursements	911,608	1,124,410
Beginning Fund Cash Balances	2,350,469	1,226,059
Ending Fund Cash Balances	\$3,262,077	\$2,350,469

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

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**COLUMBIANA COUNTY SCHOOL EMPLOYEES INSURANCE CONSORTIUM
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Columbiana County School Employees Insurance Consortium, Columbiana County, (the Consortium) is a school district insurance consortium established pursuant to Ohio Revised Code Chapter 167. The legislative body of 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 Insurance Consortium are received monthly from the participant and their employees based upon amounts determined by independent insurance consultants. For the period July 1, 2001 through June 30, 2003, a third-party insured the Consortium for claims 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, 2003 and June 30, 2002, the balances in the shared risk pool were \$720,449.59 and \$579,933.30, respectively. As of June 30, 2003 and June 30, 2002, the total individual account balances for all member school districts were \$2,541,627.06 and \$1,770,534.58, 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, 2001 through June 30, 2003.

All administrative costs and expenses incurred for the maintenance of the Consortium have been paid by the participants through June 30, 2003.

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 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 SCHOOL EMPLOYEES INSURANCE CONSORTIUM
COLUMBIANA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$1,265,913	\$1,570,726
STAR Ohio	1,996,164	779,743
Total deposits and investments	<u>\$3,262,077</u>	<u>\$2,350,469</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, 2003 reflects estimated claims as of June 30, 2003 at \$1,274,027. Reported reserve funds available to pay IBNR claims as of that date are \$2,765,783. Thus according to the actuarial report estimated IBNR claims as of June 30, 2003, the minimum requirements of Ohio Revised Code Section 9.833 have been satisfied.



**Auditor of State
Betty Montgomery**

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

Columbiana County School Employees Insurance 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 School Employees Insurance Consortium (the Consortium) as of and for the years ended June 30, 2003 and June 30, 2002, and have issued our report thereon dated January 30, 2004. 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 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 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.

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by 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

January 30, 2004



**Auditor of State
Betty Montgomery**

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COLUMBIANA COUNTY SCHOOL EMPLOYEES INSURANCE 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
MAY 18, 2004**