



**COLUMBIANA COUNTY SCHOOL EMPLOYEE
INSURANCE CONSORTIUM
COLUMBIANA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Columbiana County School Employee Insurance Consortium
Columbiana County
8143 State Route 9
Hanoverton, Ohio 44423

To the Board of Directors:

We have audited the financial statements of the Columbiana County School Employee Insurance Consortium, Columbiana County, (the Consortium) as of and for the years ended June 30, 1999 and June 30, 1998. 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 generally accepted auditing standards 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 Columbiana County School Employee Insurance Consortium, Columbiana County as of June 30, 1999 and June 30, 1998, 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 December 3, 1999 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.

This report is intended solely for the information and use of management, the 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 3, 1999

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	1999	1998
Cash Receipts:		
Contributions from school district	\$4,850,833	\$4,451,928
Interest income	114,185	68,456
Total Cash Receipts	4,965,018	4,520,384
Cash Disbursements:		
Claims	4,888,765	4,144,532
Purchase service (admin.)	322,529	239,549
Salary and benefits	2,322	1,581
Total Cash Disbursements	5,213,616	4,385,662
Total Receipts Over/(Under) Disbursements	(248,598)	134,722
Cash Balances, July 1	2,496,335	2,361,613
Cash Balances, July 30	\$2,247,737	\$2,496,335

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

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Columbiana County School Employee Insurance Consortium, Columbiana County, (the Consortium) is a school district insurance consortium established pursuant to Ohio Revised Code Chapter 167. The Consortium is directed by a six member Board, appointed by the board of education of the Member district. The Consortium administers medical, hospital and health benefit plans for employees of the participating school systems and their eligible dependents.

Contributions to the Consortium are received from the school districts and their employees based upon amounts determined by independent insurance consultants. At June 30, 1999, the Consortium is insured by a third-party for total claims in excess of \$95,000 up to \$2,000,000, per claim, except in the case of districts, whose negotiated plan establishes claim maximums at 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, per claim. At year ended June 30, 1999 the shared risk pool balance was \$1,045,489. Each member district is at risk for any amount less than \$65,000, per claim. At year ended June 30, 1999 the total individual account balance for all districts was \$1,202,247.

During the year ended June 30, 1999, no members have withdrawn from the Consortium. Members must provide the fiscal agent with no less than 12 months notice prior to withdrawal. Such district is entitled to the money on deposit for said district adjusted for obligations of the withdrawing member as of the date of withdrawal, except such disbursements of funds reduces the reserves in the Consortium below an amount determined to be necessary to cover the potential cost of health care benefits (2 ½ months claims in reserve) but in no case later than the end of the fiscal year in which the member withdraws.

In the event excess moneys are on deposit after payment of all Consortium costs in any fiscal year, that excess may be credited against amounts otherwise payable for Consortium costs in subsequent fiscal years through a reduction of premiums, based on the number of months on deposit, determined by multiplying average monthly claims by 120% and dividing the fiscal year balance by the adjusted monthly claims amount. Refunds may be received if a member has greater than fifteen months of adjusted average premiums at the end of the fiscal period.

All administrative costs and expenses incurred for the maintenance of the Consortium are paid from member contributions.

B. Basis of Accounting

These financial statements follow 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$230,054	\$578,870
	<u>230,054</u>	<u>578,870</u>
STAR Ohio	<u>2,017,683</u>	<u>1,917,465</u>
Total investments	<u>2,017,683</u>	<u>1,917,465</u>
Total deposits and investments	<u><u>\$2,247,737</u></u>	<u><u>\$2,496,335</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Consortium's operations as early as fiscal year 1999.

The Columbiana County School Employee Insurance Consortium has completed an inventory of computer systems and other equipment necessary to conduct the Consortium's operations and has identified such systems as being financial reporting and medical, dental and vision claims processing.

The Consortium uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

3. YEAR 2000 ISSUE (Continued)

The Consortium utilizes a third party administrator organization to provide medical, dental and vision claims processing. Professional Risk Management is responsible for remediating this system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Consortium is or will be Year 2000 ready, that the Consortium remediation efforts will be successful in whole or in part, or that parties with whom the Consortium does business will be Year 2000 ready.

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

Columbiana County School Employee Insurance Consortium
Columbiana County
8143 State Route 9
Hanoverton, Ohio 44423

To the Board of Directors:

We have audited the financial statements of the Columbiana County School Employee Insurance Consortium, Columbiana County, (the Consortium), as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated December 3, 1999. We conducted our audit in accordance with generally accepted auditing standards 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. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Consortium in a separate letter dated December 3, 1999.

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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Consortium in a separate letter dated December 3, 1999.

Columbiana County School Employee Insurance 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 management, 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, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 3, 1999



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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
JANUARY 20, 2000**