

**COLUMBIANA COUNTY SCHOOL HEALTH
CARE BENEFITS CONSORTIUM**

COLUMBIANA COUNTY

JUNE 30, 2007 AND 2006

FINANCIAL STATEMENTS

COLUMBIANA COUNTY SCHOOLS HEALTH
CARE BENEFITS CONSORTIUM
COLUMBIANA COUNTY, OHIO

June 30, 2007 and 2006

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Mary Taylor, CPA

Auditor of State

Board of Directors
Columbiana County Schools Health Care Benefits Consortium
200 W. North Avenue
East Palestine, Ohio 44413

We have reviewed the *Independent Auditors' Report* of the Columbiana County Schools Health Care Benefits Consortium, Columbiana County, prepared by Hill, Barth & King LLC, for the audit period July 3, 2005 through June 30, 2007. 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.

Finding for Recovery Repaid Under Audit

On March 31, 2004, a credit of \$14,925.25 was issued to the Salem City School's medical claim account to correct a misclassified prescription drug claim that was posted to medical claims. However, the credit should have been posted to the Columbiana County Educational Service Center medical claims account where the original invoice was posted.

In accordance with the foregoing facts, a Finding for Recovery for public money due but not collected has been issued against the Salem City School District in the amount of \$14,925.25 and in favor of the Columbiana County Educational Service Center.

On August 5, 2005, an invoice totaling \$41,294.01 for Southern Local Schools' medical claims was erroneously charged to United Local Schools. On the same date, an invoice totaling \$29,717.28 for United Local School's medical claims was erroneously charged to Southern Local Schools. As a result, Southern Local Schools owes United Local Schools the difference of \$11,576.73.

In accordance with the foregoing facts, a Finding for Recovery for public moneys due but not collected has been issued against Southern Local School District in the amount of \$11,576.73 and in favor of the United Local School District.

On April 8, 2008, the Salem City School District reimbursed the Columbiana County Educational Service Center the amount of \$14,925.25.

On March 6, 2008, the Southern Local School District reimbursed the United Local School District the amount of \$11,576.73.

Board of Directors
Columbiana County Schools Health Care Benefits Consortium
200 W. North Avenue
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The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Columbiana County Schools Health Care Benefits Consortium is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

July 3, 2008

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January 15, 2008

Board of Directors
Columbiana County Schools Health Care Benefits Consortium
Columbiana County, Ohio
East Palestine, Ohio

Independent Auditors' Report

We have audited the accompanying financial statements of the Columbiana County Schools Health Care Benefits Consortium Columbiana County, Ohio (the Consortium) as of and for the years ended June 30, 2007 and 2006. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As described more fully in Note A, 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Consortium, as of June 30, 2007 and 2006 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2008, on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 important for assessing the results of our audit.

Hill, Barth & King LLC

Certified Public Accountants

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES

COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM
COLUMBIANA COUNTY, OHIO

General Fund

Years ended June 30, 2007 and 2006

	2007	2006
RECEIPTS		
Receipts from member districts	\$ 0	\$ 10,812,201
Receipts from third party insurance company	68,673	24,411
Investment income	36,182	86,408
TOTAL RECEIPTS	104,855	10,923,020
DISBURSEMENTS		
Payments to third-party administrator:		
Claims payments	0	10,159,628
Administrative fees	0	259,708
Stop-loss insurance premiums	0	261,217
Payments to others:		
Rolled over to other consortium	1,554,176	0
Disbursed to member districts	1,198,296	0
Fiscal agent fee	0	5,356
Audit fees	0	7,004
TOTAL DISBURSMENTS	2,752,472	10,692,913
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(2,647,617)	230,107
Beginning fund cash and investment balance	2,647,617	2,417,510
Ending fund cash and investment balance	\$ 0	\$ 2,647,617

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM COLUMBIANA COUNTY, OHIO

June 30, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity:

The Columbiana County Schools Health Care Benefits Consortium Columbiana County, Ohio (the Consortium) is a school district insurance consortium established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provision and administration of health care benefits for member employees and covered dependents in accordance with the Consortium's amended and restated agreement and by-laws. The original agreement establishing the Columbiana County School Employee Insurance Consortium was dated June 1, 1985 and was amended in 1995 changing the name of the Consortium to the Columbiana County Schools Health Care Benefits Consortium.

The board of directors is the governing body of the Consortium. Each participating school district's board of education appoints one member to the Consortium's board of directors. The board of directors decided on May 5, 2006 that effective July 1, 2006 the Consortium would merge into the OME-RESA Health Benefits Consortium, Jefferson County and that the member's carryover balances would be given to OME-RESA to pay the run-out and stop loss claims. The carryover balances turned over to OME-RESA amounted to \$1,554,176.

Members contribute monthly premiums to the Consortium based upon amounts determined annually by the board of directors. The premiums are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Each member assumes the risks of all other members, to the extent of contributions by that member into the Consortium's fund. Annually, any members with deficit balances in the fund are charged an additional premium assessment over the following 12 months to fund the deficit. The Consortium administers medical, prescription, vision and dental benefit plans for its members.

For the year ended June 30, 2006, a third-party insured the Consortium for specific stop loss claims in excess of \$100,000 with an annual deductible of \$365,000 and maximum coverage of \$2,000,000. The Consortium funded a shared risk pool to pay specific stop loss claims between \$75,000 and \$100,000 for the year ended June 30, 2006. The balances in the shared risk pool at June 30, 2007 and 2006 was \$-0- and \$1,087,871. As of June 30, 2007 and 2006, the total individual account balances for all member school districts were \$-0- and \$1,559,746, respectively.

Members may withdraw from the Consortium or from any particular benefits program with at least 12 months notice. No members withdrew from the Consortium during the period from July 1, 2005 through June 30, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM
COLUMBIANA COUNTY, OHIO

June 30, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of the Entity (Continued):

All administrative costs and expenses incurred for the maintenance of the Consortium are paid through the members account balances through June 30, 2007.

Management believes these financial statements present all activities for which the Consortium is financially accountable.

Basis of Accounting:

The Consortium's 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.

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

Fund Accounting:

The Consortium maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium maintains a general fund to account for its expendable financial resources and related current expenses.

Budgetary Process:

The member school districts of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself is not required to follow the budgetary process and pursuant to its by-laws it does not follow the budgetary process.

Cash and Investments:

Investments are reported as assets and are carried at cost which approximates fair value. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses are recorded as receipts or disbursements when a sale occurs.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM
COLUMBIANA COUNTY, OHIO

June 30, 2007 and 2006

NOTE B - EQUITY IN CASH AND INVESTMENTS

The Consortium maintains a cash and investment pool used by all funds. The Consortium's by-laws require that cash and investments be maintained in compliance with the Ohio Revised Code Section 135 which prescribes allowable deposits and investments. Under ORC Section 135, the Consortium is permitted to hold interim deposits in an eligible financial institution and other monies are permitted to be invested in the Ohio Subdivision Fund (STAR Ohio). Since the Consortium does not invest outside of eligible financial institutions or STAR Ohio they are not required by law to have a written investment policy and they do not.

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 0	\$ 504,401
STAR Ohio	<u>0</u>	<u>2,143,216</u>
Total deposits and investments	<u>\$ 0</u>	<u>\$2,647,617</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. As discussed in the STAR Ohio annual report dated June 30, 2007, STAR Ohio's investment policy requires that all securities held be rated the equivalent of A-1+ or A-1 and at least 50% of the total average portfolio be rated A-1+ or better. As of June 30, 2007, STAR Ohio's investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor Services and commercial paper was rated either A-1+/P-1 or A-1/P-1.

NOTE C - RELATED PARTY TRANSACTIONS

As permitted by the Consortium's by-laws, the board of directors is authorized to approve the payment of a management fee to the member appointed as the fiscal agent for the Consortium. The fiscal agent fee for the years ended June 30, 2007 and 2006 was paid to East Palestine Local School District and amounted to \$-0- and \$5,356, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM
COLUMBIANA COUNTY, OHIO

June 30, 2007 and 2006

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

The board of directors decided on May 5, 2006 to reimburse the members for their share of the internal stop loss pool during the year ended June 30, 2007. The reimbursements to members amounted to \$1,198,296.

NOTE D - RISK MANAGEMENT

The Consortium contracted with a third-party administrator, Professional Risk Management, to process and pay health benefit claims incurred by its members. The members contribute monthly premiums into the general fund of the Consortium. The Fiscal Officer approves monthly payments to the third-party administrator for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Consortium members. Member school districts, whose claims exceed the premiums paid into the Consortium, will carry a negative fund balance that must be repaid within 12 months from year end. Only one member had a deficit balance at June 30, 2006 which amounted to \$310,207. As the Consortium merged with the OME-RESA Consortium on July 1, 2006, the deficit balance was covered through stop/loss reimbursements of \$34,563 and an allocation from the shared risk pool of \$275,644.

Member school districts that withdraw from the Consortium are obligated for payment of any negative balance in their account and the remaining claims of any of its eligible members and dependents is the responsibility of each individual school upon withdrawal from the Consortium.

NOTE E - CLAIMS LIABILITY

The Consortium receives an annual actuarial report that estimates an amount for the runoff liability for claims incurred but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 had been satisfied for the year ended June 30, 2006. The reported reserve fund available to pay the IBNR claims and the IBNR claim liability per the actuarial report at June 30, 2006 are as follows:

Cash and investments	\$2,647,617
IBNR actuarial liability	<u>(1,227,105)</u>
Excess funds before shared risk pool	1,420,512
Shared risk pool for claims between \$75,000 and \$100,000	<u>(1,087,871)</u>
EXCESS FUNDS	<u>\$ 332,641</u>



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January 15, 2008

Board of Directors
Columbiana County Schools Health Care Benefits Consortium
Columbiana County, Ohio
East Palestine, Ohio

Report On Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Columbiana County Schools Health Care Benefits Consortium Columbiana County, Ohio (the Consortium) as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 15, 2008, wherein we noted the Consortium prepared its financial statements using the accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, 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 organization'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 material misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

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 organization'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 and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Consortium in a separate letter dated January 15, 2008.

This report is intended solely for the information and use of management, members, board of directors and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Barth & King LLC
Certified Public Accountants

STATUS OF PRIOR YEAR AUDIT CITATIONS AND RECOMMENDATIONS
COLUMBIANA COUNTY SCHOOLS HEALTH CARE BENEFITS CONSORTIUM
COLUMBIANA COUNTY, OHIO

Years ended June 30, 2007 and 2006

The prior audit report, for the years ended June 30, 2005 and 2004, did not include material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
JULY 17, 2008**