



**Auditor of State
Betty Montgomery**

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

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**Auditor of State
Betty Montgomery**

South Central Ohio Insurance Consortium
Fairfield County
621 Washington Street
Baltimore, Ohio 43105

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Consortium to prepare the financial statement pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery
Auditor of State**

April 25, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

South Central Ohio Insurance Consortium
Fairfield County
621 Washington Street
Baltimore, Ohio 43105

To the Board of Directors:

We have audited the accompanying financial statement of South Central Ohio Insurance Consortium, Fairfield County, Ohio (the Consortium) as of and for the year ended June 30, 2005. This financial statement is the responsibility of the Consortium's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Consortium has prepared this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Consortium to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2005. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statement. The Consortium has elected not to reformat its statement. Since the Consortium does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended June 30, 2005, does 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, 2005, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of South Central Ohio Insurance Consortium, Fairfield County, Ohio, as of June 30, 2005, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion and Analysis for the year ended June 30, 2005. The Consortium has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

April 25, 2006

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

Operating Cash Receipts:	
Charges for Services	<u>\$16,583,155</u>
Total Operating Cash Receipts	<u>16,583,155</u>
Operating Cash Disbursements:	
Contractual Services	<u>15,428,634</u>
Total Operating Cash Disbursements	<u>15,428,634</u>
Operating Income	1,154,521
Non-Operating Cash Receipts:	
Earnings on Investments	<u>92,859</u>
Total Non-Operating Cash Receipts	<u>92,859</u>
Non-Operating Cash Disbursements	
Refund of Prior Years' Receipts	<u>179,857</u>
Total Non-Operating Cash Disbursements	<u>179,857</u>
Net Cash Receipts Over/(Under) Cash Disbursements	1,067,523
Cash Balance, July 1	<u>5,618,075</u>
Cash Balance, June 30	<u><u>\$6,685,598</u></u>

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

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The South Central Ohio Insurance Consortium (the Consortium), a Regional Council of Governments organized under Ohio Rev. Code Chapter 167, was established for the purpose of establishing and carrying out a cooperative health and dental program. The Consortium is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws of the Consortium.

Management believes the financial statement included in this report represents all of the financial activity of the Consortium over which the Consortium has the ability to exercise direct operating control.

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Consortium recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Consortium's cash is held and invested by the Fiscal Agent, who acts as custodian for Consortium monies. The Consortium's assets are held in the Fiscal Agent's cash and investment pool, and are valued at the Fiscal Agent's reported carrying amount.

D. Budgetary Process

The member governments of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself does not adopt a budget, but the Consortium's Fiscal Agent adopts a budget and files it with the Fairfield County Auditor.

2. RISK MANAGEMENT

The South Central Ohio Insurance Consortium, which is open to any government in the State of Ohio, is governed by a Board of Directors who selects qualified insurance companies that provide the health insurance program that is adequate to meet the needs of each member government under its benefit plan for its employees. The Board of Directors also purchases coverage for claims in excess of a set amount for those members that are self insured. The Board of Directors is composed of one representative from each member government.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. RISK MANAGEMENT (Continued)

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are the claims by eligible employees which are payable by each member, the member's share of the health and dental insurance premiums, and their proportionate share of the administrative cost of the Consortium. Estimated IBNR claims as of June 30, 2005 are \$2,105,000. Funds available to pay IBNR claims as of that date are \$6,685,597. An excess coverage insurance policy covers individual claims for each participating member of the Consortium in excess of \$150,000 and \$3,000,000 lifetime maximum, per employee consortium wide. Prepayments of anticipated shortages may be made by member governments.

Member governments may withdraw from the Consortium at the end of any fiscal year, and may be removed for failure to make the required payments. The obligation for the payment of any negative balance in a member's account and the remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

3. JOINTLY GOVERNED ORGANIZATION

The South Central Ohio Insurance Consortium (SCOIC) is a legally separate consortium. SCOIC is in a jointly governed organization with member governmental entities. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. SCOIC does not have an ongoing financial interest in or ongoing financial responsibility for the member governments other than the claims paid on behalf of the member governments' employees.

SCOIC utilizes the Liberty Union-Thurston Local School District (the Fiscal Agent) as its fiscal agent. The financial activity for SCOIC is reflected in an agency fund of the Fiscal Agent.

4. CASH POSITION OF MEMBER GOVERNMENTS

The Consortium's cash balance consists of cash balances that belong to member governments. The member government's share of the Consortium's cash balance at June 30, 2005 is as follows:

<u>Member District</u>	<u>Amount</u>
Amanda Clearcreek LSD	\$ 446,089
Berne Union LSD	626,011
Bloom Carroll LSD	253,751
Canal Winchester LSD	995,483
City of Lancaster	1,575,569
Fairfield County MR/DD	(487,946)
Fairfield Union LSD	1,399,790
Liberty Union-Thurston LSD	954,204
Miami Trace LSD	922,647
Consortium Balance	\$ 6,685,598

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2005
(Continued)**

5. ADDITIONAL FUNDING

The Charges for Services receipts for fiscal year 2005 include charges related to the Reserve Fund.

Each member government was charged an additional premium of \$40 per employee to accumulate resources for future losses and to fund any other necessary and proper cost, liability, and/or expense of the Consortium. Reserve receipts in fiscal year 2005 were \$811,170. The balance of the Reserve as of June 30, 2005 was \$1,993,171

6. SUBSEQUENT EVENT

On November 1, 2005, the Consortium joined the Ohio Mid Eastern Regional Education Service Agency (OME-RESA) Health Benefits Program. Member fees continue to be paid to the Fiscal Agent and are then paid to OME-RESA.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

South Central Ohio Insurance Consortium
Fairfield County
621 Washington Street
Baltimore, Ohio 43105

To the Board of Directors:

We have audited the financial statement of South Central Ohio Insurance Consortium, Fairfield County, Ohio (the Consortium) as of and for the year ended June 30, 2005, and have issued our report thereon dated April 25, 2006, wherein we noted the Consortium followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statement and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statement we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Consortium's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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South Central Ohio Insurance Consortium
Fairfield County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of management and Board of Directors. It is not intended for 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

April 25, 2006



**Auditor of State
Betty Montgomery**

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SOUTH CENTRAL OHIO INSURANCE CONSORTIUM

FAIRFIELD 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
JUNE 13, 2006**