



**Auditor of State
Betty Montgomery**

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

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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 the South Central Ohio Insurance Consortium, Fairfield County, Ohio, (the Consortium) as of and for the year ended June 30, 2004. 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 *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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Consortium prepares its financial statement 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 statement referred to above presents fairly, in all material respects, the cash balance of the South Central Ohio Insurance Consortium, Fairfield County, Ohio, as of June 30, 2004, and its cash receipts and disbursements for the year 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 11, 2005, 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.

This report is intended solely for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 11, 2005

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2004**

Operating Cash Receipts:	
Charges for services	<u>\$16,624,431</u>
Total Operating Cash Receipts	<u>16,624,431</u>
Operating Cash Disbursements:	
Contractual services	<u>13,903,414</u>
Total Operating Cash Disbursements	<u>13,903,414</u>
Operating Income	2,721,017
Non-Operating Cash Receipts:	
Earnings on Investments	<u>32,733</u>
Total Non-Operating Cash Receipts	<u>32,733</u>
Non-Operating Cash Disbursements	
Refund of Prior Years' Receipts	<u>303,742</u>
Total Non-Operating Cash Disbursements	<u>303,742</u>
Net Cash Receipts Over/(Under) Cash Disbursements	2,450,008
Cash Balance, July 1	<u>3,168,067</u>
Cash Balance, June 30	<u><u>\$5,618,075</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 STATEMENT
JUNE 30, 2004**

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 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 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 a payment is made rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Consortium's cash is held and invested by the Liberty Union-Thurston Local School District (the District), who acts as custodian for Consortium monies. The Consortium's assets are held in the District's cash and investment pool, and are valued at the District'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 Liberty Union-Thurston Local School District, 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 is a regional council of government organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The 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 STATEMENT
JUNE 30, 2004
(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, 2004 are \$1,341,000. Funds available to pay IBNR claims as of that date are \$5,618,075. 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 consortium was formed for the primary purpose of establishing and carrying out a cooperative health program for its 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 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, 2004 is as follows:

<u>Member District</u>	<u>Amount</u>
Amanda Clearcreek LSD	\$496,139
Berne Union LSD	424,534
Bloom Carroll LSD	312,191
Canal Winchester LSD	806,356
City of Lancaster	1,442,123
Fairfield County MR/DD	(235,482)
Fairfield Union LSD	1,197,754
Liberty Union-Thurston LSD	756,231
Miami Trace LSD	418,229
Consortium Balance	<u><u>\$5,618,075</u></u>

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2004
(Continued)**

5. ADDITIONAL FUNDING

The Charges for Services receipts for fiscal year 2004 includes the Reserve Funds.

Reserve Funds - The Consortium's year to date collections from member governments to reserve funds against future loss and/or to fund any other necessary and proper cost, liability and/or expense of the Consortium are \$1,182,001. Each member government was charged an additional premium of \$35 per employee.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statement of the South Central Ohio Insurance Consortium, Fairfield County, Ohio, (the Consortium), as of and for the year ended June 30, 2004, and have issued our report thereon dated January 11, 2005. 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 statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report 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 statement 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.

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South Central Ohio Insurance Consortium
Fairfield County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, 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 11, 2005



**Auditor of State
Betty Montgomery**

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800-282-0370
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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
MARCH 10, 2005**