PUTNAM COUNTY SCHOOLS INSURANCE GROUP

PUTNAM COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2011

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Dave Yost • Auditor of State

Board of Directors
Putnam County Schools Insurance Group
124 Putnam Parkway
Ottawa, Ohio 45875

We have reviewed the *Report of Independent Accountants* of the Putnam County Schools Insurance Group, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

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 Putnam County Schools Insurance Group is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

September 17, 2012

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Putnam County Schools Insurance Group
Audit Report
For The Year Ended December 31, 2011

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REPORT OF INDEPENDENT ACCOUNTANTS

Putnam County Schools Insurance Group
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Putnam County Schools Insurance Group ("the Group"), Putnam County, Ohio as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Group'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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the business-type activities of the Putnam County Schools Insurance Group, Putnam County, Ohio, as of December 31, 2011, and the change in cash financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012, on our consideration of the Group'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. 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.

We conducted our audit to opine on the Group's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets and changes in net assets. The nine year development information (the schedule) is required by GASB Statement 30. These tables and the schedule provide additional information, but are not part of the basic financial statements. However these tables and the schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables and the schedule, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
June 15, 2012

PUTNAM COUNTY SCHOOLS
INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2011

Unaudited

The following report reflects on the financial condition of the Putnam County Schools Insurance Group (the "Group") for the calendar year ended December 31, 2011. Within the limitations of the Group's cash basis of accounting, this information is provided to enhance the information in the financial statements and corresponding notes and should be reviewed in concert with that report.

Financial Highlights, Year Ending December 31, 2011

- Total revenues were $7.6 million, representing contributions from eleven members during the period from January 1, 2011 through December 31, 2011.
- Total non-operating revenues were $40,778 during the year.
- Total expenses were $7.2 million, with claims payments representing $6.3 million, or 88%; stop loss premiums represented $426,429 or 6%; administrative expenses represented $340,067 or 4.7%; and professional fees represented $81,616 or 1.1%.
- The Putnam County Schools Insurance Group negotiated a new five year administration agreement with Medical Mutual of Ohio effective January 1, 2010. Under the terms of this contract Medical Mutual of Ohio agreed to discount their fees and defer the 2010 administrative fees and spread them over the remaining forty eight months of the contract through December 31, 2014. Deferred fees paid in 2011 totaled $68,706.
- Projected claims and administrative expense liabilities were $1.2 million at December 31, 2011.

Using these Cash-Basis Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Group's cash basis of accounting. This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Group's activities. The *Statement of Net Assets – Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets* provide information about the activities of the Group.

Reporting the Group's Financial Activities

Statement of Net Assets – Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets

These statements look at all financial transactions and ask the question, "How did we do financially during 2011?" The Statement of Net Assets – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets answer these questions.

These statements include only net cash assets using the cash basis of accounting, which is a basis of accounting other that accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the Group's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Group as a whole, the cash basis financial position of the Group has improved or diminished.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as claims payable) are not recorded in these cash basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The table below provides a summary of the Group's net assets for 2011 compared to 2010.

Financial Analysis

Net Assets

	2011	2010
Assets		
Equity in pooled cash & investments	$ 7,709,533	$ 7,243,039
Total assets	$ 7,709,533	$ 7,243,039
Net Cash Assets		
Unrestricted	$ 7,709,533	$ 7,243,039
Total net cash assets	$ 7,709,533	$ 7,243,039

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011 and 2010 the Group's net cash assets totaled $7,709,533 and $7,243,039, respectively.

PUTNAM COUNTY SCHOOLS
INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2011

Unaudited

The table below shows the changes in net cash assets for the years ending December 31, 2011 and 2010. Net assets increased $466,494.

Change in Net Cash Assets

	2011	2010
Operating cash receipts		
Member contributions	$7,587,500	$7,682,554
Total operating receipts	7,587,500	7,682,554
Operating cash disbursements		
Claims	6,313,672	6,111,622
Insurance premiums	426,429	369,135
Administrative fees	340,067	0
Professional fees	81,616	74,656
Total operating cash disbursements	7,161,784	6,555,413
Operating income	425,716	1,127,141
Non-operating cash receipts		
Interest income	40,778	113,403
Total non-operating cash receipts	40,778	113,403
Change in net cash assets	466,494	1,240,544
Beginning net cash assets	7,243,039	6,002,495
Ending net cash assets	$ 7,709,533	$ 7,243,039

Current Financial Related Activities

The Group is a not-for-profit insurance group owned and operated by eleven school districts in Putnam County, Ohio. The Group's main source of receipts is premiums paid by the member school districts. The Group also receives interest receipts through investments.

The Insurance Group is committed to providing its member districts with the advantages of a larger buying cooperative, while maintaining control by the local district leadership. Providing coverage for all County schools is a priority for the Group and it is committed to managing the pool to protect the long-term financial interests of its members.

The Group requires its members to participate in the medical/prescription insurance program with individual district choice as to participation in the dental program. The Board of Trustees and its consultant, Huntington Insurance, continually discuss program enhancements, long-term viability and management risks inherent in these insurance programs.

Like all employer-sponsored medical/dental insurance programs, the Group's most significant challenge is the current trend of double-digit increases in health care costs. As costs escalate, the Board is faced with the challenge of balancing the financial constraints facing Ohio's public school districts with offering a quality benefit program for its member's employees. This is further complicated by the fact that each school district in the Group (other than Brookhill MR/DD) must collectively bargain benefit levels with the respective employee unions. Even with these challenges, a collective approach to managing health care within the Group provides many advantages over individually by school district.

Contacting the Group's Financial Management

This financial report is designed to provide our member districts and citizens with a general overview of the Group's finances and to show the Group's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jan Osborn, Superintendent, Putnam County ESC, 124 Putnam Parkway, Ottawa, Ohio 45875.

Putnam County Schools Insurance Group
Putnam County, Ohio

Statement of Net Assets - Cash Basis
December 31, 2011

Assets:		
Equity in pooled cash and investments	$	7,709,533
Total assets	**$**	**7,709,533**
Net Cash Assets:		
Unrestricted	$	7,709,533
Total net cash assets	**$**	**7,709,533**

Putnam County Schools Insurance Group
Putnam County , Ohio

Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets
For the Fiscal Year Ended December 31, 2011

Operating cash receipts:	
Contributions from members	$ 7,587,500
Total operating cash receipts	7,587,500
Operating cash disbursements:	
Professional Fees	81,616
Administrative Fees	340,067
Insurance Premium for Coverages	426,429
Claims	6,313,672
Total operating cash disbursements	7,161,784
Operating income	425,716
Non-operating cash receipts:	
Interest Income	40,778
Total non-operating cash receipts	40,778
Change in cash net assets	466,494
Net cash assets at beginning of year	7,243,039
Net cash assets at end of year	$ 7,709,533

Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 1 – Financial Reporting Entity

The Putnam County Schools Insurance Group, Putnam County, (the "Group") is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 and amended by GASB Statement No. 30 created to enable its eleven members (political subdivisions) to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, this Pool provides health and dental benefits to employees of its members.

The governing body of the Group is the Board of Trustees composed of the representatives of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of December 31, 2011, there were eleven participating members of the Group. The Board of Trustees and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) shall function as the advisory body to the Group. It shall consist of one representative, being the Superintendent of each member.

The Group's management believes these cash basis financial statements present all activities for which the Group is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) Pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Basis of Presentation

For the year ended December 31, 2011, the Group has prepared the financial statements in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" format.

The Group's financial statements consist of a statement of net assets and statement of cash receipts, cash disbursements and changes in net cash assets.

B. Basis of Accounting

The Group's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Group's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The Group uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

Operating receipts are those receipts that are generated directly from the primary activity of the Group. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Group. All receipts and disbursements not meeting this definition are reported as non-operating.

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. Money market funds and federal agency securities are valued at cost.

Starting 2005, the Group has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Group; however, disclosures in Note 3 have been revised to reflect this implementation.

D. Budgetary Process

The Group is not required to follow the budgetary process by law, but incorporated in the bylaws that on or before November 30 of each year the trustees shall determine the total estimated group costs for the next fiscal year, separately identifying the portion of the total estimated group costs to be allocated to each member.

E. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Group or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Group had no restricted net assets at fiscal year end.

Note 3 – Deposits and Investments

State statutes classify monies held by the Group into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Group has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

The Group primarily funds to meet the basic monetary demands of its claims and administration payments and has not had any Inactive or Interim deposits to invest.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Note 3 – Deposits and Investments (continued)

Protection of the Group’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Insurance Group, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. Protection of the Group’s cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At December 31, 2011, the carrying amount of the Group’s deposits and the bank balance was $6,780,704. Of the bank balance, $250,000 was covered by federal depository insurance and $6,530,704 was uninsured and collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

As of December 31, 2011, the District had the following investments:

		Investment	
Investment Type	**Carrying and Fair Value**	**Maturities Less than 1 year**	**% of Total Portfolio**
Repurchase Agreement	$928,829	$928,829	100%

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Group’s investment policy limits investment portfolio maturities to not more than two years.

Note 3 – Deposits and Investments (continued)

Credit Risk
PCSIG invests in U.S. Agencies, Treasuries and Mortgage-Backed Securities and places no limit on the amount it may invest in any one issuer. PCSIG's investments may exceed federally insured limits. PCSIG has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on investments. The repurchase agreement is invested in U.S. Government agencies and has a rating of A-1.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Group will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Group has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Note 4 – Risk Management

The Group contracts with a third party administrator, Medical Mutual of Ohio, to process and pay health claims and dental claims incurred by its members. Members pay monthly premiums to the Group based upon an annual estimate determined by the Executive Board. The Fiscal Officer issues payment to the third party administrator for actual insurance claims processed, stop-loss premiums, and administrative charges.

The Group employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Group to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

An actuarial valuation of the health care plan is prepared annually under guidelines set forth in Actuarial Standard of Practice No. 5, *Incurred Health Claims Liabilities* (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to compare this liability to funds reserved. The method and assumptions utilized for measuring an actuarial liability are critical to the determination as to whether funds are adequate.

A comparison of the Group's cash and investments to the actuarially-measured liability as of December 31 follows:

	December 31, 2011	December 31, 2010
Cash and Investments	$ 7,709,533	$ 7,243,039
Actuarial liabilities	1,178,993	1,141,644

Note 5 – Contracted Services

The Group contracts with Huntington Insurance to assist them with the annual renewals of its health and welfare plans. Huntington Insurance also helps the Group and its members with maintaining the current plan of benefits including design, claim adjudication, customer service, billings and compliance issues. In addition, they review alternative plan design and determine that claims are paid in accordance to specifications of the plan.

Note 6 – Reserve for Claims Losses

Putnam County Schools Insurance Group, under its terms of membership, shall establish adequate reserves for claims and unallocated loss adjustment expenses. In 2011, the Loss Reserve increased $37,349 to $1,178,993. The loss reserve percentage remained at 16.5%. Total expenses for the years ended December 31, 2011 and 2010, respectively were approximately $7.1 million and $6.5 million.

Changes in the Group's reserve for claims losses amount for the two previous years are as follows:

Year	Balance	Claims	Payments	Balance
2010	$1,135,347	$6,117,919	$6,111,622	$1,141,644
2011	1,141,644	6,351,021	6,313,672	1,178,993

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Supplementary Information
Nine-Year Loss Development Information

	Fiscal and Accident Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Premiums and investment revenue:									
Earned	$ 5,634,644	$ 6,257,835	$ 7,236,162	$ 7,385,662	$ 7,290,043	$ 7,481,776	$ 7,044,178	$ 7,795,957	$ 7,628,278
Ceded	(362,899)	(549,478)	(661,334)	(639,523)	(733,013)	(433,910)	(450,234)	(369,135)	(426,429)
Net earned	5,271,745	5,708,357	6,574,828	6,746,139	6,557,030	7,047,866	6,593,944	7,426,822	7,201,849
Unallocated expenses	0	0	0	0	0	0	0	0	0
Estimated losses and expenses, end of accident year:									
Incurred	5,606,215	6,584,166	6,133,483	4,989,900	5,138,127	4,675,079	6,064,492	6,117,919	6,351,021
Ceded	0	0	0	0	0	0	0	0	0
Net incurred	5,606,215	6,584,166	6,133,483	4,989,900	5,138,127	4,675,079	6,064,492	6,117,919	6,351,021
Net paid cumulative as of:									
End of accident year	5,527,734	6,246,038	5,802,923	4,900,422	4,782,891	4,575,784	5,424,809	5,507,300	5,776,138
One year later	5,606,215	6,584,166	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131	6,044,834	
Two years later	5,606,215	6,584,166	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131		
Three years later	5,606,215	6,584,166	6,133,483	5,575,036	5,216,687	5,180,741			
Four years later	5,606,215	6,584,166	6,133,483	5,575,036	5,216,687				
Five years later	5,606,215	6,584,166	6,133,483	5,575,036					
Six years later	5,606,215	6,584,166	6,133,483						
Seven years later	5,606,215	6,584,166							
Eight years later	5,606,215								
Re-estimated ceded losses and expenses	0	0	0	0	0	0	0	0	0
Re-estimated net incurred losses and expenses:									
End of accident year	5,606,215	6,584,166	6,133,483	4,989,900	5,138,127	4,675,079	6,064,492	6,117,919	6,351,021
One year later	5,606,215	6,584,166	6,133,483	4,989,900	5,138,127	5,180,741	6,064,492	6,117,919	
Two years later	5,606,215	6,584,166	6,133,483	5,515,036	5,216,687	5,180,741	6,064,492		
Three years later	5,606,215	6,584,166	6,133,483	5,515,036	5,216,687	5,180,741			
Four years later	5,606,215	6,584,166	6,133,483	5,515,036	5,216,687				
Five years later	5,606,215	6,584,166	6,133,483	5,515,036					
Six years later	5,606,215	6,584,166	6,133,483						
Seven years later	5,606,215	6,584,166	6,133,483						
Eight years later	5,606,215								
Increase (decrease) in estimated net incurred losses and expenses from end of accident year	0	0	0	525,136	78,560	505,662	0	0	0

Information prior to fiscal year 2003 not available

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Putnam County Schools Insurance Group
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875

To the Board of Directors:

We have audited the financial statements of the Putnam County Schools Insurance Group, Putnam County, Ohio (the Group) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012, wherein we noted the Group followed the cash basis of accounting 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 *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Group's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Group's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Group's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Group's financial statements are 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors and others within the Group. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.
June 15, 2012

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Dave Yost • Auditor of State

PUTNAM COUNTY SCHOOLS INSURANCE GROUP

PUTNAM 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
SEPTEMBER 27, 2012