

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**





# Dave Yost • Auditor of State

Board of Directors  
South Central Ohio Insurance Consortium  
1108 S. Main Street  
Baltimore, Ohio 43105

We have reviewed the *Independent Auditors' Report* of the South Central Ohio Insurance Consortium, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2010 through June 30, 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 South Central Ohio Insurance Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 13, 2012

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
South Central Ohio Insurance Consortium  
Fairfield County  
1108 S. Main Street  
Baltimore, Ohio 43105

We have audited the accompanying financial statements of South Central Ohio Insurance Consortium, Fairfield County, Ohio (the "Consortium") as of and for the year ended June 30, 2011, as listed in the table of contents. The financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on the 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Ohio Insurance Consortium, as of June 30, 2011, and the results of its operations and the cash flows of its proprietary fund activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, 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 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 should be considered in assessing the results of our audit.

*much more than an accounting firm*

**South Central Ohio Insurance Consortium  
Fairfield County  
Independent Auditors' Report  
Page 2**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Jones, Cochenour & Co.  
December 28, 2011**



**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

The discussion and analysis of the South Central Ohio Insurance Consortium's financial performance provides an overview and analysis of the Consortium's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Consortium's financial performance.

**FINANCIAL HIGHLIGHTS**

- < The assets of South Central Ohio Insurance Consortium exceeded its liabilities at June 30, 2011 by \$20,830,600. This balance was comprised of unrestricted net assets.
- < In total, net assets increased by \$2,267,311 which represents a 12.21 percent increase from 2010.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand South Central Ohio Insurance Consortium as a financial whole, an entire operating entity.

This discussion and analysis is intended to serve as an introduction to the Consortium's basic financial statements. The Consortium's basic financial statements are comprised of two components: the financial statements and notes to those financial statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the Consortium did financially during the fiscal year ended June 30, 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Consortium's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the Consortium has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The Consortium uses enterprise presentation for all of its activities.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**FINANCIAL ANALYSIS**

Table 1 provides a summary of the Consortium's net assets for 2011 compared to fiscal year 2010:

**Table 1  
Net Assets at Year End**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets:</u></b>		
<b>Current and Other Assets</b>	<b>\$23,680,600</b>	<b>\$21,663,289</b>
<b>Total Assets</b>	<b>23,680,600</b>	<b>21,663,289</b>
<b><u>Liabilities:</u></b>		
<b>Current Liabilities</b>	<b>2,850,000</b>	<b>3,100,000</b>
<b>Total Liabilities</b>	<b>2,850,000</b>	<b>3,100,000</b>
<b><u>Net Assets:</u></b>		
<b>Unrestricted</b>	<b>20,830,600</b>	<b>18,563,289</b>
<b>Total Net Assets</b>	<b>\$20,830,600</b>	<b>\$18,563,289</b>

Current and other assets increased \$2,017,311 from fiscal year 2010 due to an increase in cash and cash equivalents held by the Consortium, which is a result of an increase in premiums from member districts.

Current liabilities decreased \$250,000 from fiscal year 2010 due to lower claims payable estimates at the end of the year.

The Consortium's net assets are unrestricted net assets. These net assets represent resources that may be used to meet the Consortium's ongoing obligations to pay medical and dental claims.

Table 2 shows the changes in net assets for fiscal year 2011 compared to changes for fiscal year 2010.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Table 2  
Changes in Net Assets**

	2011	2010
<b><u>Revenues:</u></b>		
<b><i>Operating Revenue:</i></b>		
Receipts from Member Districts	\$37,501,477	\$35,970,074
<b><i>Nonoperating Revenue:</i></b>		
Interest Income	485,595	427,966
<b><i>Total Revenues</i></b>	<b>37,987,072</b>	<b>36,398,040</b>
<b><u>Expenses:</u></b>		
Claims Paid	35,719,761	34,853,623
<b><i>Total Expenses</i></b>	<b>35,719,761</b>	<b>34,853,623</b>
<b><i>Change in Net Assets</i></b>	<b>2,267,311</b>	<b>1,544,417</b>
Net Assets – Beginning of Year	18,563,289	17,018,872
Net Assets – End of Year	<b>\$20,830,600</b>	<b>\$18,563,289</b>

The most significant program expenses for the Consortium are Claims Paid. Claims Paid, which represents 100 percent of total expenses, represents medical and dental claims paid as benefits for employees of the members of the Consortium.

The majority of the funding for the Consortium is premiums received from member districts. Receipts from member districts account for 98.7 percent of total revenues.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Budget Highlights**

The South Central Ohio Insurance Consortium is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, the Consortium had no capital assets.

**Debt Administration**

At June 30, 2011, the Consortium had no general obligation debt outstanding.

**CURRENT ISSUES**

Management believes that the South Central Ohio Insurance Consortium is financially stable. As indicated in the preceding financial information, the Consortium is dependent on premiums received from member districts. Premium revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program benefit levels will be dependent on increased premiums to meet inflation. Careful financial planning will permit the Consortium to provide quality benefits for the employees of the member districts.

**CONTACTING THE INSURANCE CONSORTIUM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it received. If you have any questions about this report or need additional information, contact Dave Butler, Fiscal Agent, South Central Ohio Insurance Consortium, 1108 S. Main Street, Baltimore, Ohio 43105.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
STATEMENT OF NET ASSETS  
June 30, 2011**

**Assets:**

**Equity in Pooled Cash and Cash Equivalents** **\$ 23,680,600**

**Total Assets** **23,680,600**

**Liabilities:**

**Claims Payable** **2,850,000**

**Total Liabilities** **2,850,000**

**Net Assets:**

**Unrestricted** **20,830,600**

**Total Net Assets** **\$ 20,830,600**

**See accompanying notes to the basic financial statements**

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET ASSETS  
For the Fiscal Year Ended June 30, 2011**

**Operating Revenues:**

Receipts from Member Districts \$ 37,501,477

**Total Operating Revenues** 37,501,477

**Operating Expenditures:**

Claims Paid 35,719,761

**Total Operating Expenditures** 35,719,761

**Operating Income** 1,781,716

**Other Nonoperating Revenues:**

Interest Income 485,595

**Total Other Nonoperating Revenues** 485,595

**Net Change in Net Assets** 2,267,311

**Net Assets at Beginning of Year** 18,563,289

**Net Assets at End of Year** \$ 20,830,600

See accompanying notes to the basic financial statements

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2011**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Member Districts	\$ 37,501,477
Cash Payments for Claims	<u>(35,969,761)</u>

Net Cash from Operating Activities	1,531,716
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**Cash Flows from Investing Activities:**

Interest on Investments	<u>485,595</u>
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Net Cash from Investing Activities	<u>485,595</u>
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Net Increase in Cash and Cash Equivalents	2,017,311
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Cash and Cash Equivalents Beginning of Year	<u>21,663,289</u>
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Cash and Cash Equivalents End of Year	<u><u>\$ 23,680,600</u></u>
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**Reconciliation of Operating Income  
to Net Cash from Operating Activities:**

Operating Income (Loss)	\$ 1,781,716
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**Decrease in Liabilities:**

Claims Payable	<u>(250,000)</u>
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Total Adjustments	<u>(250,000)</u>
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Net Cash from Operating Activities	<u><u>\$ 1,531,716</u></u>
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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF INSURANCE CONSORTIUM AND REPORTING ENTITY**

**Description of Insurance Consortium**

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 statements included in this report represent all of the financial activity of the Consortium over which the Consortium has the ability to exercise direct operating control.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Insurance Consortium consists of all funds, departments, boards, and agencies that are not legally separate from the Insurance Consortium. For South Central Ohio Insurance Consortium this is the general operations.

Component units are legally separate organizations for which the Insurance Consortium is financially accountable. The Insurance Consortium is financially accountable for an organization if the Insurance Consortium appoints a voting majority of the organization's governing board and (1) the Insurance Consortium is able to significantly influence the programs or services performed or provided by the organization; or (2) the Insurance Consortium is legally entitled to or can otherwise access the organization's resources; the Insurance Consortium is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Insurance Consortium is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Insurance Consortium in that the Insurance Consortium approves the budget, the issuance of debt, or the levying of taxes. The Insurance Consortium has no component units.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Consortium have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Consortium's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain items of significance in the Statement include the following:

**A. Basis of Presentation**

The Consortium's basic financial statements consist of a statement of net assets; a statement of revenues, expenditures, and change in net assets; and a statement of cash flows.

The Consortium uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Statement of revenues, expenditures and change in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.



**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Accounting**

As stated above, basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The Consortium's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from the nonexchange transactions, in which the Consortium receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Consortium must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Consortium on a reimbursement basis. Expenditures are recognized at the time they are incurred.

**D. Cash and Investments**

The Consortium's cash is held and invested by the Fiscal Agents, Liberty Union-Thurston Local School District and Ohio Mid-Eastern Regional Education Service Center (OME-RESA). These Fiscal Agents act as custodians for Consortium monies. The Consortium's assets are held in the Fiscal Agent's cash and investment pools, and are valued at the Fiscal Agents reported carrying amount and reported as cash on the Consortium's books. Liberty Union-Thurston Local School District receives all payments from member governments and then forwards the medical and prescription portion on to OME-RESA. OME-RESA then maintains those funds and pays claims. OME-RESA maintains all funds for the dental coverage.

**E. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Consortium applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

As of June 30, 2011, all of the Consortium's net assets are considered unrestricted.

**F. 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.

**G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Consortium. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Consortium. All revenues and expenditures not meeting this definition are reported as non-operating. Included in the operating revenue was an additional premium of \$162.25 or \$204.50 dependent on a pooling limit of \$50,000 and \$35,000 per employee from the member governments to accumulate resources for future losses and to find any other necessary and proper cost, liability, and/or expenditure of the Consortium.

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 3- DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Consortium 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 Consortium 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 Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim monies 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 accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least at 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Insurance Consortium's name. During fiscal year 2011, the Consortium complied with the provisions of these statutes.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation 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 fair 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 fair value 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligation, 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 Consortium, 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 the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

***Deposits:*** Custodial credit risk is the risk that, in the event of a bank failure, the Consortium's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Consortium.

At June 30, 2011, the carrying amount of all Consortium deposits was \$23,680,600. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$22,680,600 of the Consortium's bank balance was exposed to custodial risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance in four banks. The amount exposed to custodial risk was collateralized with securities held by the Consortium, its agency in the Consortium's name or pooled securities held by the bank.

***Investments:*** As of June 30, 2011, the Consortium held no investments.

The Consortium does not have a deposit and investment policy.

**NOTE 4 - RISK MANAGEMENT**

The South Central Ohio 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.

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 member's share of the health and dental insurance premiums, and their proportionate share of the administrative cost of the Consortium. Estimated claims as of June 30, 2011 are \$2,850,000. Funds available to pay IBNR claims as of that date are \$23,680,600. An excess coverage insurance policy covers individual claims for each participating member of the Consortium in excess of \$400,000 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 three year cycle, 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 is the responsibility of each individual school upon withdrawal from the Consortium.

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.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 4 - RISK MANAGEMENT – (Continued)**

The Consortium assumes a limited risk for the medical and prescription portions of the health insurance program.

**NOTE 5 - JOINTLY GOVERNED ORGANIZATIONS**

The South Central Ohio Insurance Consortium (SCOIC) is a legally separate consortium. SCOIC is 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 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 on the Fiscal Agent's financial statements.

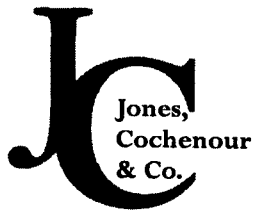
**NOTE 6 - CASH POSITION OF MEMBER GOVERNMENTS**

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, 2011 is as follows:

<u>Member District</u>	<u>Amount</u>
Amanda Clearcreek LSD	\$ 773,190
Berne Union LSD	665,597
Bloom Carroll LSD	860,976
Canal Winchester LSD	2,989,528
City of Lancaster	3,644,603
Fairfield County ESC	129,758
Fairfield Union LSD	2,202,199
Lancaster City LSD	5,831,477
Liberty-Union -Thurston LSD	1,410,359
Logan Hocking LSD	(183,059)
Miami Trace LSD	3,404,998
Perry Hocking ESC	31,503
Washington Court House CSD	1,919,471
<i>Consortium Balance</i>	<u>\$23,680,600</u>

**NOTE 7 - SUBSEQUENT EVENTS**

There were no subsequent events noted to be disclosed through December 28, 2011, the date the financial statements were available to be issued. Any subsequent events after that date have not been considered in this audit response.



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**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***

**Board of Directors  
South Central Ohio Insurance Consortium  
Baltimore, Ohio**

We have audited the financial statements of South Central Ohio Insurance Consortium as of and for the year ended June 30, 2011 and have issued our report thereon dated December 28, 2011. 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 Control Over Financial Reporting**

In planning and performing our audit, we considered South Central Ohio Insurance 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 South Central Ohio Insurance Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Central Ohio Insurance Consortium's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. [Finding #2011-8589-001].

*much more than an accounting firm*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Central Ohio 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 others matters that are required to be reported under *Government Auditing Standards*.

South Central Ohio Insurance Consortium's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit South Central Ohio Insurance Consortium's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the state auditor's office and is not intended to be and should not be used by anyone other than these specified parties.



Jones, Cochenour & Co.  
December 28, 2011

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
SCHEDULE OF CURRENT FINDINGS, PRIOR FINDINGS AND RESPONSES  
June 30, 2011**

**Finding Number 2011-8589-001 Significant Deficiency/Material Weakness**

**Criteria:** The Consortium needs to have the 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 misstatement of the Consortium's financial statements will not be prevented by the Consortium's internal control.

**Condition:** The Consortium did not include all the necessary entries for complete cash balances in the original financial statements provided to us to audit.

**Context:** The deficiency was discovered during our audit procedures of the financial statement balances.

**Effect:** The un-audited financial statements prepared by the consortium were not complete or correct and could have been misleading to any users of the financial information.

**Cause:** The cause for the misstatement was incomplete recording of a deposit in transit.

**Recommendation:** We recommend that in future closings more care is taken in the preparation of the financial statements.

**Views of the responsible officials and planned corrective actions:** Management has reviewed the issues noted and will monitor closely the closing activities of the Consortium and ensure that all accounts are properly disclosed and properly stated.

**PRIOR FINDINGS**

The finding issued as 2011-8589-001 was issued the prior year. Management continues to work on this issue.

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# Dave Yost • Auditor of State

**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 8, 2012**