

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
South Ohio Central Insurance Consortium  
621 Washington St.  
Baltimore, OH 43105

We have reviewed the *Independent Auditors' Report* of the South Ohio Central Insurance Consortium, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2005 to June 30, 2006. 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 Ohio Central Insurance Consortium is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 22, 2008

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis .....	3-6
Statement of Net Assets .....	7
Statement of Revenues, Expenses and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements.....	10-14
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15-16



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of South Central Ohio Insurance Consortium, Fairfield County, Ohio (the "Consortium") as of and for the year ended June 30, 2006, 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 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above, present fairly, in all material respects, the financial position of South Central Ohio Insurance Consortium, as of June 30, 2006, and the results of its operations and the cash flows of its proprietary funds activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 of the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as of July 1, 2005. This results in a change to the Consortium's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2008 on our consideration of 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. The purpose of that report is to describe the scope of our testing of 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 accessing the results of our audit.

*much more than an accounting firm*

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

**The Management's Discussion and Analysis is not a required part of the basic financial statements supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.**

A handwritten signature in cursive script that reads "Jones, Cochenour & Co." with a period at the end.

**Jones, Cochenour & Co.  
January 15, 2008**

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)**

The discussion and analysis of the South Central Ohio Insurance Consortium's financial performance provides an overview and analysis of the Insurance Consortium's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Insurance 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 Insurance Consortium's financial performance.

**FINANCIAL HIGHLIGHTS**

- < The liabilities of South Central Ohio Insurance Consortium exceeded its assets at June 30, 2006 by \$5,863,675. This balance was comprised of unrestricted net assets.
- < In total, net assets increased by \$2,010,200 from 2005.

**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 Insurance Consortium's basic financial statements. The Insurance 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 changes in net assets reflect how the Insurance Consortium did financially during the fiscal year ended June 30, 2006. 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 Insurance Consortium's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Insurance 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 Insurance 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, 2006  
(Unaudited)**

**FINANCIAL ANALYSIS**

Table 1 provides a summary of the Insurance Consortium's net assets for 2006 compared to fiscal year 2005:

**Table 1  
Net Assets at Year End**

	<b>Governmental Activities</b>	
	2006	2005
<i><u>Assets:</u></i>		
<b>Current and Other Assets</b>	<b>\$8,588,756</b>	<b>\$6,685,597</b>
<b>Total Assets</b>	<b>8,588,756</b>	<b>8,678,769</b>
<i><u>Liabilities:</u></i>		
<b>Current Liabilities</b>	<b>2,725,080</b>	<b>2,832,121</b>
<b>Total Liabilities</b>	<b>2,725,080</b>	<b>2,832,121</b>
<i><u>Net Assets:</u></i>		
<b>Unrestricted</b>	<b>5,863,676</b>	<b>3,853,476</b>
<b>Total Net Assets</b>	<b>\$5,863,676</b>	<b>\$3,853,476</b>

Current and other assets increased \$1,903,159 from fiscal year 2005 due to an increase in memberships and collecting additional premiums for the stop-loss fund.

Current liabilities decreased \$107,041 from fiscal year 2005 due to a decrease in the claims payable estimates at the end of the year.

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

Table 2 shows the changes in net assets for fiscal year 2006 compared to changes for fiscal year 2005.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)**

**Table 2  
Changes in Net Assets**

	2006	2005
<i><u>Revenues:</u></i>		
<i>Operating Revenue:</i>		
Receipt for Member Districts	\$20,714,899	\$16,583,155
<i>Nonoperating Revenue:</i>		
Interest Income	302,185	92,859
<i>Total Revenues</i>	<b>21,017,084</b>	<b>16,676,014</b>
<i><u>Expenses:</u></i>		
Claims Paid	18,946,990	18,260,756
Other	59,894	0
Refund of Prior Year's Receipts	0	179,857
<i>Total Expenses</i>	<b>19,006,884</b>	<b>18,440,613</b>
<i>Change in Net Assets</i>	<b>2,010,200</b>	<b>(1,764,599)</b>
Net Assets – Beginning of Year	3,853,476	5,618,075
Net Assets – End of Year	<b>\$5,863,676</b>	<b>\$3,853,476</b>

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)**

The most significant program expenses for the Insurance Consortium are Claims Paid. Claims Paid, which represents 99.71 percent of the total, represents medical and dental claims paid as benefits for employees of the members of the Insurance Consortium.

The majority of the funding for the Insurance Consortium is premiums received from member districts. Receipts from member districts account for 98.65 percent of total revenues.

**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, 2006, the Insurance Consortium had no capital assets.

**Debt Administration**

At June 30, 2006, the Insurance 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 Insurance 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 Insurance 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 Insurance Consortium's finances and to show the Insurance Consortium's accountability for the money it received. If you have any questions about this report or need additional information, contact Dave Butler, Treasurer, South Central Ohio Insurance Consortium, 621 Washington Street, Baltimore, Ohio 43105.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**  
**Statement of Net Assets**  
**June 30, 2006**

**Assets:**

**Equity in Pooled Cash and Cash Equivalents** \$8,588,756

***Total Assets*** 8,588,756

**Liabilities:**

**Claims Payable** 2,725,080

***Total Liabilities*** 2,725,080

**Net Assets:**

**Unrestricted** 5,863,676

***Total Net Assets*** \$5,863,676

See accompanying notes to the basic financial statements

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2006**

**Operating Revenues:**

Receipts from Member Districts \$20,714,899

*Total Operating Revenues* 20,714,899

**Operating Expenses:**

Claims Paid 18,946,990

Other 59,894

*Total Operating Expenses* 19,006,884

*Operating Income (Loss)* 1,708,015

**Other Nonoperating Revenues:**

Interest Income 302,185

*Total Other Nonoperating Revenues* 302,185

*Net Change in Net Assets* 2,010,200

*Net Assets at Beginning of Year, Restated* 3,853,476

*Net Assets at End of Year* \$5,863,676

See accompanying notes to the basic financial statements

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2006**

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

**Cash Flows from Operating Activities:**

Cash Received from Member Districts	\$20,714,899
Cash Payments for Claims	(19,054,032)
Other Cash Payments	(59,893)
	1,600,974

***Net Cash from Operating Activities***

**1,600,974**

**Cash Flows from Investing Activities:**

Interest on Investments	302,185
	302,185

***Net Cash from Investing Activities***

**302,185**

***Net Increase in Cash and Cash Equivalents***

**1,903,159**

**Cash and Cash Equivalents Beginning of Year**

**6,685,597**

**Cash and Cash Equivalents End of Year**

**\$8,588,756**

**Reconciliation of Operating Income  
to Net Cash from Operating Activities:**

Operating Income	\$1,708,015
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***(Decrease) in Liabilities:***

Claims Payable	(107,041)
	(107,041)

**Total Adjustments**

**(107,041)**

***Net Cash from Operating Activities***

**\$1,600,974**

See accompanying notes to the basic financial statements

**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 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.

**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**

**A. Basis of Presentation**

The financial statements of the Insurance 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 before 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 Insurance 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 of significant in the Statement include the following:

For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing analysis of the Consortium's overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Consortium has elected to implement the provisions of the Statement in the current year.

The Insurance Consortium's basic financial statement consists of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

The Insurance 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.

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS – CONTINUED

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

***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, expenses and changes 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.

***C. Basis of Accounting***

As stated above, basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Insurance 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 Insurance 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 Insurance Consortium must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Insurance Consortium on a reimbursement basis. Expenses 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 Agents' cash and investment pools, and are valued at the Fiscal Agents' reported carrying amount. 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.

***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 Insurance Consortium or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Insurance 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, 2006, all of the Insurance 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 Insurance Consortium. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Insurance Consortium. All revenues and expenditures not meeting this definition are reported as non-operating. Included in the operating revenue was an additional premium of \$45 per employee from the member governments to accumulate resources for future losses and to find any other necessary and proper cost, liability, and/or expense 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 – RESTATEMENT AND PRIOR PERIOD ADJUSTMENT**

The South Central Ohio Insurance Consortium (SCOIC) adopted GASB 34 for the year ended June 30, 2006. The following reflects the effects on the net assets, beginning balance:

Net Assets at June 30, 2005	\$6,685,597
Record Claims Payable	(2,832,121)
	<hr/>
Restated Net Assets at June 30, 2005	<u>\$3,853,476</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Insurance 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 Insurance 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 moneys are those moneys 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 2006, the Insurance 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;

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

**NOTE 4 - DEPOSITS AND INVESTMENTS** - (Continued)

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 (STAROhio);
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.

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 Insurance 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 Insurance 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 Insurance Consortium.

At June 30, 2006, the carrying amount of all Insurance Consortium deposits was \$8,588,756. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2006, \$8,188,756 of the Insurance Consortium's bank balance of \$8,588,756 was exposed to custodial risk as discussed above, while \$400,000 was covered by Federal Deposit Insurance. The \$8,188,756 exposed to custodial risk was collateralized with securities held by the Insurance Consortium, its agency in the Insurance Consortium's name or pooled securities held by the bank.

**Investments:** As of June 30, 2006, the Insurance Consortium held no investments.

**NOTE 5 - 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  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 5 - 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 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, 2006 are \$2,725,080. Funds available to pay IBNR claims as of that date are \$8,588,756. 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 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.

The Consortium assumes a limited risk for the medical and prescription portions of the health insurance program. For the dental portion of the program, the Consortium is only a claims processing agent and the limited risk is assumed by the member governments.

**NOTE 6- 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 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 on the Fiscal Agent’s financial statements.

**NOTE 7 - CASH POSITION OF MEMBER GOVERNMENTS**

The Consortium’s cash balance consists of cash balances that belong to member governments for dental coverage. The member government’s share of the Consortium’s dental coverage cash balance at June 30, 2006 is as follows:

Member District	Amount
Amanda Clearcreek LSD	\$0
Berne Union LSD	6,547
Bloom Carroll LSD	64,492
Canal Winchester LSD	78,720
Fairfield County MR/DD	28,128
Fairfield LSD	0
Fairfield Union LSD	64,546
Lancaster City LSD	190,265
Liberty-Union -Thurston LSD	42,365
Miami Trace LSD	0
Washington Court House CSD	0
<i>Consortium Balance</i>	<b>\$475,063</b>



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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *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, Fairfield County, Ohio (the "Consortium") as of and for the year ended June 30, 2006, and have issued our report thereon dated January 15, 2008 wherein we noted the Consortium adopted GASB 34/accrual basis of accounting. 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*.

**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 statements and not to provide an opinion on the financial statements and not to provide an opinion 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 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 that would be material in relation to the financial statements being audited may occur and not be detected with in 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Directors. It is not intended for anyone other than these specified parties.

Jones, Cochenour & Co.  
January 15, 2008

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**Mary Taylor, CPA**  
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  
MAY 6, 2008**