

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**



Mary Taylor, CPA
Auditor of State

Board of Directors
South Central Ohio Insurance Consortium
621 Washington 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, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 26, 2009

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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
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, 2008, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2009 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.

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**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 but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Jones, Cochenour & Co.
June 23, 2009**

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(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, 2008. 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, 2008 by \$12,531,278. This balance was comprised of unrestricted net assets.
- < In total, net assets increased by \$3,196,215 which represents a 34.23 percent increase from 2007.

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, 2008. 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, 2008
(Unaudited)**

FINANCIAL ANALYSIS

Table 1 provides a summary of the Insurance Consortium's net assets for 2008 compared to fiscal year 2007:

**Table 1
Net Assets at Year End**

	Governmental Activities	
		Restated
	2008	2007
<i><u>Assets:</u></i>		
Current and Other Assets	\$15,817,278	\$12,156,022
Total Assets	15,817,278	12,156,022
<i><u>Liabilities:</u></i>		
Current Liabilities	3,286,000	2,820,959
Total Liabilities	3,286,000	2,820,959
<i><u>Net Assets:</u></i>		
Unrestricted	12,531,278	9,335,063
Total Net Assets	\$12,531,278	\$9,335,063

Current and other assets increased \$3,661,256 from fiscal year 2007 due to an increase in cash and cash equivalents held by the Insurance Consortium and a prior period adjustment, which is a result of an increase in premiums from member districts.

Current liabilities increased \$465,041 from fiscal year 2007 due to an increase 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 2008 compared to changes for fiscal year 2007.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)**

**Table 2
Changes in Net Assets**

	<u>2008</u>	<u>2007</u>
<i><u>Revenues:</u></i>		
<i>Operating Revenue:</i>		
Receipt for Member Districts	\$29,803,788	\$26,894,205
<i>Nonoperating Revenue:</i>		
Interest Income	<u>331,438</u>	<u>305,213</u>
<i>Total Revenues</i>	<u>30,135,226</u>	<u>27,199,418</u>
<i><u>Expenses:</u></i>		
Claims Paid	<u>26,939,011</u>	<u>23,986,656</u>
<i>Total Expenses</i>	<u>26,939,011</u>	<u>23,989,656</u>
<i>Change in Net Assets</i>	3,196,215	3,212,762
Net Assets – Beginning of Year	9,075,438	5,863,676
Prior period adjustment	<u>258,625</u>	<u>-</u>
Net Assets – Beginning of Year - Restated	<u>9,335,063</u>	<u>5,863,676</u>
Net Assets – End of Year	<u><u>\$12,531,278</u></u>	<u><u>\$9,076,438</u></u>

The most significant program expenses for the Insurance Consortium are Claims Paid. Claims Paid, which represents 100 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 98.9 percent of total revenues.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(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, 2008, the Insurance Consortium had no capital assets.

Debt Administration

At June 30, 2008, 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, Fiscal Agent, South Central Ohio Insurance Consortium, 621 Washington Street, Baltimore, Ohio 43105.

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
STATEMENT OF NET ASSETS
June 30, 2008

Assets:

Equity in Pooled Cash and Cash Equivalents **\$ 15,817,278**

Total Assets **15,817,278**

Liabilities:

Claims Payable **3,286,000**

Total Liabilities **3,286,000**

Net Assets:

Unrestricted **12,531,278**

Total Net Assets **\$ 12,531,278**

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, 2008

Operating Revenues:

Receipts from Member Districts \$ 29,803,788

Total Operating Revenues 29,803,788

Operating Expenses:

Claims Paid 26,939,011

Total Operating Expenses 26,939,011

Operating Income 2,864,777

Other Nonoperating Revenues:

Interest Income 331,438

Total Other Nonoperating Revenues 331,438

Net Change in Net Assets 3,196,215

Net Assets at Beginning of Year, Restated 9,335,063

Net Assets at End of Year \$ 12,531,278

See accompanying notes to the basic financial statements

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Member Districts	\$ 29,803,788
Cash Payments for Claims	<u>(26,473,970)</u>

<i>Net Cash from Operating Activities</i>	<u>3,329,818</u>
-------------------------------------------	------------------

Cash Flows from Investing Activities:

Interest on Investments	<u>331,438</u>
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<i>Net Cash from Investing Activities</i>	<u>331,438</u>
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<i>Net Increase in Cash and Cash Equivalents</i>	3,661,256
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Cash and Cash Equivalents Beginning of Year, Restated	<u>12,156,022</u>
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Cash and Cash Equivalents End of Year	<u><u>\$ 15,817,278</u></u>
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**Reconciliation of Operating Income
to Net Cash from Operating Activities:**

Operating Income	\$ 2,864,777
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Increase in Liabilities:

Claims Payable	<u>465,041</u>
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Total Adjustments	<u>465,041</u>
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<i>Net Cash from Operating Activities</i>	<u><u>\$ 3,329,818</u></u>
-------------------------------------------	----------------------------

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 statements 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

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 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 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 items of significance in the Statement include the following:

A. Basis of Presentation

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.

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.

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 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 Agent's 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. 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 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, 2008, 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 \$121.75 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- 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 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 2008, 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;
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.

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 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, 2008, the carrying amount of all Insurance Consortium deposits was \$15,817,278 based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2008, \$15,417,278 of the Insurance Consortium's bank balance was exposed to custodial risk as discussed above, while \$400,000 was covered by Federal Deposit Insurance. The amount exposed to custodial risk was \$15,417,278 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, 2008, the Insurance Consortium held no investments.

NOTE 4 - 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.

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, 2008 are \$3,286,000. Funds available to pay IBNR claims as of that date are \$15,817,278. 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 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.



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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 basic financial statements for South Central Ohio Insurance Consortium as of and for the year ended June 30, 2008 and have issued our report thereon dated June 23, 2009. 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South Central Ohio Consortium's 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 South Central Ohio Consortium's financial statements that is more than inconsequential will not be prevented or detected by the South Central Ohio Consortium's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting [Finding #2008-8589-001].

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the South Central Ohio Insurance Consortium's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiency described above is also a material weakness.

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 findings 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.
June 23, 2009

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2008**

Finding Number 2008-8589-001 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 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 statement prepared by the consortium was not complete and could have been misleading to any users of the financial information.

Cause: The cause for the misstatement was incomplete recording of all the cash balances.

Recommendation: We recommend that in future closings more care is taken in the preparation of the financial statements and that the consortium have available all the appropriate documentation necessary for each of the cash accounts.

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 assure that all accounts are properly disclosed.



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
SEPTEMBER 8, 2009