



**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statement of the South Central Ohio Insurance Consortium, Fairfield County, Ohio, (the Consortium) as of and for the year ended June 30, 2001. This financial statement is the responsibility of the Consortium's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described Note 1, the Consortium prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the South Central Ohio Insurance Consortium, Fairfield County, as of June 30, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2001 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

October 11, 2001

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

Operating Cash Receipts:	
Charges for Services	<u>\$11,614,541</u>
Total Operating Cash Receipts	<u>11,614,541</u>
Operating Cash Disbursements:	
Contractual services	<u>11,457,988</u>
Total Operating Cash Disbursements	<u>11,457,988</u>
Operating Income/(Loss)	<u>156,553</u>
Non-Operating Cash Receipts:	
Earnings on Investments	<u>5,032</u>
Total Non-Operating Cash Receipts	<u>5,032</u>
Net Receipts Over/(Under) Disbursements	161,585
Cash Balance, July 1	<u>28,669</u>
Cash Balance, June 30	<u><u>\$190,254</u></u>

The notes to the financial statements are an integral part of this statement.

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The South Central Ohio Insurance Consortium (the Consortium), is a Regional Council of Governments organized under Ohio Rev. Code Chapter 167. The Consortium is a jointly governed organization formed for the primary purpose of establishing and carrying out a cooperative health program for its member governmental entities (see footnote 5). All rights and privileges are stipulated in the By Laws. The governing board consists of the superintendent or other designee appointed by each of the members. The Consortium does not have an ongoing financial interest in or ongoing financial responsibility for the member governmental entities other than the claims paid on their behalf.

Management believes the financial statement included in this report represents all of the financial activity of the Consortium over which the Consortium has the ability to exercise direct operating control.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

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

C. Cash and Investments

The Consortium's cash is held and invested by the Liberty Union -Thurston Local School District (the District), who acts as custodian for Consortium monies. The Consortium's cash assets are held in the District's cash and investment pool consisting of demand deposits and Star Ohio. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Budgetary Process

The member governments of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself does not adopt a budget, but Liberty Union Local School District, the Consortium's fiscal agent, adopts a budget and files it with the Fairfield County Auditor.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Consortium maintains a cash pool and investments with the fiscal agent . The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments for the Consortium at June 30 was as follows:

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2001</u>
Cash:	
Demand deposits	\$179,892
Investments:	
Star Ohio	<u>10,362</u>
Total deposits and investments	<u><u>\$190,254</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the fiscal agent. Deposits with the fiscal agent as of June 30, 2001 are fully collateralized.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. RISK MANAGEMENT

The South Central Ohio Insurance Consortium is a regional council of government organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative health and dental insurance program. The Consortium, which is open to any board of education of any school district 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 school 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 school.

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are the claims by eligible employees which are payable by each member, the member's share of the health and dental insurance premiums, and their proportionate share of the administrative cost of the Consortium. The actual balance of each member school's account is determined on a triennial basis, and any excess is resolved. Prepayments of anticipated shortages may be made by member schools.

Member schools may withdraw from the Consortium at the end of any fiscal year, and may be removed for failure to make the required payments. The obligation for the payment of any negative balance in a member's account and the remaining claims of any of its eligible members is the responsibility of each individual school upon withdrawal from the Consortium.

4. LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Ohio Revised Code, the Auditor of State performed tests of compliance with various revisions of local, state, and/or federal laws, as appropriate.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2001
(Continued)**

5. CASH POSITION OF MEMBER GOVERNMENTS

<u>Member District</u>	<u>Amount</u>
Berne Union LSD	\$147,411
Bloom Carroll LSD	(100,855)
Canal Winchester LSD	43,080
City of Lancaster	(408,147)
Fairfield County ESC	105,538
Fairfield Union LSD	142,615
Hocking County	(336)
Liberty Union LSD	437,267
Miami Trace LSD	(166,306)
Vinton County	<u>(10,013)</u>
Consortium Balance	<u><u>\$190,254</u></u>

Hocking County and Vinton County are no longer members of the consortium; however, they are obligated for unpaid medical claims as of 6/30/01.

6. SUBSEQUENT EVENT

Due to recurring shortfalls in cash due to increased claims, the Consortium increased rates to members by approximately 20% effective July 1, 2001. Management feels this increase will remedy any cash flow problems they have experienced. The City of Lancaster will not start paying the increased rate until January 1, 2002.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the South Central Ohio Insurance Consortium, Fairfield County, Ohio (the Consortium), as of and for the year ended June 30, 2001, and have issued our report thereon dated October 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Consortium's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Directors
South Central Ohio Insurance Consortium
Fairfield County
Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the finance committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

October 11, 2001



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SOUTH CENTRAL OHIO INSURANCE CONSORTIUM

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2001**