

PUTNAM COUNTY SCHOOLS INSURANCE GROUP

PUTNAM COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2014





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Putnam County Schools Insurance Group, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Putnam County Schools Insurance Group is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 21, 2015

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**Putnam County Schools Insurance Group
Audit Report
For The Year Ended December 31, 2014**

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

INDEPENDENT AUDITORS' REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Putnam County Schools Insurance Group, Putnam County, Ohio (the Group), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Group's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Putnam County Schools Insurance Group, Putnam County, Ohio, as of December 31, 2014, and the changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

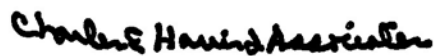
We audited to opine on the Group's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position and changes in net position. The Ten-Year Loss Development Information (the Schedule) is required by the Governmental Accounting Standards Board. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Group'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Group's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

March 25, 2015

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2014

Unaudited

The following report reflects on the financial condition of the Putnam County Schools Insurance Group (the "Group") for the calendar year ended December 31, 2014. Within the limitations of the Group's cash basis of accounting, this information is provided to enhance the information in the financial statements and corresponding notes and should be reviewed in concert with that report.

Financial Highlights, Year Ending December 31, 2014

- Total revenues were \$7.5 million, representing contributions from eleven members during the period from January 1, 2014 through December 31, 2014.
- Total non-operating revenues were \$16,222 during the year.
- Total expenses were \$8.1 million, with claims payments representing \$7.1 million, or 87.3%; stop loss premiums represented \$497,482 or 6.1%; administrative expenses represented \$434,115 or 5.3% and professional fees represented \$87,333 or 1.1%.
- The Putnam County Schools Insurance Group negotiated a new five year administration agreement with Medical Mutual of Ohio effective January 1, 2010. Under the terms of this contract Medical Mutual of Ohio agreed to discount their fees and defer the 2010 administrative fees and spread them over the remaining forty eight months of the contract through December 31, 2014. Deferred fees paid in 2014 totaled \$68,706.
- Projected claims and administrative expense liabilities were \$1.3 million at December 31, 2014.

Using these Cash-Basis Financial Statements

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

Reporting the Group's Financial Activities

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

These statements look at all financial transactions and ask the question, "How did we do financially during 2014?" The Statement of Net Position – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Position -Cash Basis answer these questions.

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2014

Unaudited

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

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

The table below provides a summary of the Group's net position for 2014 compared to 2013.

Financial Analysis

Statement of Net Position – Cash Basis

	<u>2014</u>	<u>2013</u>
Assets		
Equity in pooled cash & investments	<u>\$ 5,610,906</u>	<u>\$ 6,193,913</u>
Total assets	<u>\$ 5,610,906</u>	<u>\$ 6,193,913</u>
Net Position		
Unrestricted	<u>\$ 5,610,906</u>	<u>\$ 6,193,913</u>
Total net cash position	<u>\$ 5,610,906</u>	<u>\$ 6,193,913</u>

Over time, the net position can serve as a useful indicator of a government's financial position. At December 31, 2014 and 2013 the Group's net cash position totaled \$5,610,906 and \$6,193,913, respectively.

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2014

Unaudited

The table below shows the changes in net cash position for the years ending December 31, 2014 and 2013. Net position decreased \$583,007.

Change in Net Position -Cash Basis

	2014	2013
Operating cash receipts		
Member contributions	\$7,542,240	\$7,342,537
Total operating receipts	<u>7,542,240</u>	<u>7,342,537</u>
Operating cash disbursements		
Claims	7,076,997	8,005,314
Insurance premiums	497,482	341,184
Administrative fees	434,115	385,283
Other fees and charges	18,727	21,557
Health Screening	26,815	26,080
Professional fees	87,333	75,701
Total operating cash disbursements	<u>8,141,469</u>	<u>8,855,119</u>
Operating income	<u>(599,229)</u>	<u>(1,512,582)</u>
Non-operating cash receipts		
Interest income	14,236	17,710
Other income	1,986	21,192
Total non-operating cash receipts	<u>16,222</u>	<u>38,902</u>
Change in net position	<u>(583,007)</u>	<u>(1,473,680)</u>
Beginning net position	<u>6,193,913</u>	<u>7,667,593</u>
Ending net position	<u>\$ 5,610,906</u>	<u>\$ 6,193,913</u>

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2014

Unaudited

Current Financial Related Activities

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

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

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

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

Contacting the Group's Financial Management

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

**Putnam County Schools Insurance Group
Putnam County, Ohio**

**Statement of Net Position - Cash Basis
December 31, 2014**

Assets:

Equity in pooled cash and investments	\$ 5,610,906
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Total assets	\$ 5,610,906
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Net Position

Unrestricted	\$ 5,610,906
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Total net position	\$ 5,610,906
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The accompanying notes are an integral part of these financial statements

**Putnam County Schools Insurance Group
Putnam County , Ohio**

**Statement of Cash Receipts, Cash Disbursements, and
Changes in Net Cash Position
For the Calendar Year Ended December 31, 2014**

Operating cash receipts:	
Contributions from members	\$ 7,542,240
	<hr/>
Total operating cash receipts	7,542,240
	<hr/>
Operating cash disbursements:	
Professional Fees	87,333
Administrative Fees	434,115
Insurance Premium for Coverages	497,482
Claims	7,076,997
Drivers' physical	6,625
Flu vaccine	10,965
Health screening	26,815
Miscellaneous	1,137
	<hr/>
Total operating cash disbursements	8,141,469
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Operating income	(599,229)
	<hr/>
Non-operating cash receipts:	
Interest Income	14,236
Other Income	1,986
	<hr/>
Total non-operating cash receipts	16,222
	<hr/>
Change in net position	(583,007)
	<hr/>
Net cash position at beginning of year	6,193,913
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Net position at end of year	\$ 5,610,906
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The accompanying notes are an integral part of these financial statements

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1 – Financial Reporting Entity

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

The governing body of the Group is the Board of Trustees composed of the representatives of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of December 31, 2014, there were eleven participating members of the Group. The Board of Trustees and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) shall function as the advisory body to the Group. It shall consist of one representative, being the Superintendent of each member.

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

For the year ended December 31, 2014, the Group has prepared the financial statements in accordance with GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” format.

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

B. Basis of Accounting

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

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Money market funds and federal agency securities are valued at cost.

D. Budgetary Process

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

E. Net Position

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

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 3 – Deposits and Investments

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 3 – Deposits and Investments (continued)

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Group, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

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

At December 31, 2014, the carrying amount of the Group's deposits and the bank balance was \$5,610,906. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$4,610,906 was uninsured and collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Group's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Group to a successful claim by the Federal Deposit Insurance Corporation.

Investments

As of December 31, 2014, the Group did not hold any investments. Transaction costs for repurchase agreements exceeded any potential return so the Group discontinued those investments in 2012.

Credit Risk

When market conditions warrant making investments, the Group invests in U.S. Agencies, Treasuries and Mortgage-Backed Securities and places no limit on the amount it may invest in any one issuer. The Group's investments may exceed federally insured limits. The Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on investments.

Custodial Credit Risk

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

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 4 – Risk Management

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

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

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

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

	December 31, 2014	December 31, 2013
Cash and Investments	\$ 5,610,906	\$ 6,193,913
Actuarial liabilities	1,328,722	1,294,599

Note 5 – Contracted Services

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

Note 6 – Reserve for Claims Losses

Putnam County Schools Insurance Group, under its terms of membership, shall establish adequate reserves for claims and unallocated loss adjustment expenses. In 2014, the Loss Reserve increased \$34,123 to \$1,328,722. The loss reserve percentage increased to 15.5%. Total expenses for the years ended December 31, 2014 and 2013, respectively were approximately \$8.1 million and \$8.9 million.

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

<u>Year</u>	<u>Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance</u>
2013	\$1,124,359	\$8,175,554	\$8,005,314	\$1,294,599
2014	1,294,599	7,111,120	7,076,997	1,328,722

PUTNAM COUNTY SCHOOLS INSURANCE GROUP

Putnam County, Ohio

**Required Supplementary Information
Ten-Year Loss Development Information**

	Fiscal and Accident Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Premiums and investment revenue:										
Earned	\$ 7,236,162	\$ 7,385,662	\$ 7,290,043	\$ 7,481,776	\$ 7,044,178	\$ 7,795,957	\$ 7,628,277	7,370,676	7,360,247	7,556,476
Ceded	(661,334)	(639,523)	(733,013)	(433,910)	(450,234)	(369,135)	(426,429)	(492,876)	(341,184)	(497,483)
Net earned	6,574,828	6,746,139	6,557,030	7,047,866	6,593,944	7,426,822	\$ 7,201,848	6,877,800	7,019,063	7,058,993
Unallocated expenses	0	0	0	0	0	0	0	0	0	0
Estimated losses and expenses, end of accident year:										
Incurred	6,133,483	4,989,900	5,138,127	4,675,079	6,064,492	6,117,919	6,351,021	6,441,332	8,005,314	7,076,997
Ceded	0	0	0	0	0	0	0	0	0	0
Net incurred	6,133,483	4,989,900	5,138,127	4,675,079	6,064,492	6,117,919	6,351,021	6,441,332	8,005,314	7,076,997
Net paid cumulative as of:										
End of accident year	5,802,923	4,900,422	4,782,891	4,575,784	5,424,809	5,507,300	5,776,138	5,977,534	7,156,689	7,721,199
One year later	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131	6,044,834	6,239,936	6,826,159	7,800,891	
Two years later	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131	6,044,834	6,239,936	6,826,159		
Three years later	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131	6,044,834	6,239,936			
Four years later	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131	6,044,834				
Five years later	6,133,483	5,575,036	5,216,687	5,180,741	6,029,131					
Six years later	6,133,483	5,575,036	5,216,687	5,180,741						
Seven years later	6,133,483	5,575,036	5,216,687							
Eight years later	6,133,483	5,575,036								
Nine years later	6,133,483									
Re-estimated ceded losses and expenses	0	0	0	0	0	0	0	0	0	0
Re-estimated net incurred losses and expenses:										
End of accident year	6,133,483	4,989,900	5,138,127	4,675,079	6,064,492	6,117,919	6,351,021	6,441,332	8,005,314	7,076,997
One year later	6,133,483	4,989,900	5,138,127	5,180,741	6,064,492	6,117,919	6,351,021	6,441,332	8,005,314	
Two years later	6,133,483	5,515,036	5,216,687	5,180,741	6,064,492	6,117,919	6,351,021	6,441,332		
Three years later	6,133,483	5,515,036	5,216,687	5,180,741	6,064,492	6,117,919	6,351,021			
Four years later	6,133,483	5,515,036	5,216,687	5,180,741	6,064,492	6,117,919				
Five years later	6,133,483	5,515,036	5,216,687	5,180,741	6,064,492					
Six years later	6,133,483	5,515,036	5,216,687	5,180,741						
Seven years later	6,133,483	5,515,036	5,216,687							
Eight years later	6,133,483	5,515,036								
Nine years later	6,133,483									
Increase (decrease) in estimated net incurred losses and expenses from end of accident year	0	585,136	78,560	505,662	0	0	0	0	0	0

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Putnam County Schools Insurance Group, Putnam County, Ohio, (the Group), as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2015, wherein we noted the Group uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Group's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Group's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Group's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

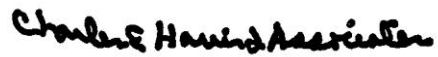
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Group's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Group's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
March 25, 2015

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Dave Yost • Auditor of State

PUTNAM COUNTY SCHOOL INSURANCE GROUP

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2015**