

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*(AUDITED)*

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017*

**TRAVIS BIGAM, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
South Central Ohio Insurance Consortium  
5240 Plum Road  
Carroll, Ohio 43112

We have reviewed the *Independent Auditor's Report* of the South Central Ohio Insurance Consortium, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 19, 2018

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY, OHIO**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

South Central Ohio Insurance Consortium  
Fairfield County  
5240 Plum Road  
Carroll, Ohio 43112

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the South Central Ohio Insurance Consortium, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the South Central Ohio Insurance Consortium'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 accounting principles generally accepted in the United States of America; this includes 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 South Central Ohio Insurance Consortium'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 South Central Ohio Insurance Consortium's internal control. Accordingly, we express no such 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 financial position of the South Central Ohio Insurance Consortium, Fairfield County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 8 to the financial statements, during fiscal year ended June 30, 2017, the South Central Ohio Insurance Consortium had a prior period restatement to properly state receivables and cash with fiscal agent. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America requires this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, on our consideration of the South Central Ohio Insurance 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. 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 South Central Ohio Insurance Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
January 19, 2018



**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**  
**FAIRFIELD COUNTY**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*(Unaudited)*

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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, 2017. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Consortium's financial performance.

**Financial Highlights**

- The assets of South Central Ohio Insurance Consortium exceeded its liabilities at June 30, 2017 by \$25,162,532. This balance was comprised of unrestricted net position.
  
- In total, net position decreased by \$1,192,646 which represents a 4.90 percent decrease from 2016.

**Using this Annual Report**

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

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

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the Consortium did financially during the fiscal year ended June 30, 2017. These statements include all assets and liabilities using the accrual basis of accounting similar to that, which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Consortium's net position and changes in that position. This change in net position 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 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.

Certain amounts have been updated to conform to current year presentation.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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**Financial Analysis**

Table 1 provides a summary of the Consortium's net position for 2017 compared to fiscal year 2016:

Table 1  
**Net Position at Year End**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016 *</u>
<b><u>Assets:</u></b>		
Cash and Investments	\$29,821,789	\$26,659,068
Accounts Receivable	1,025,843	5,605,910
<i>Total Assets</i>	<u>30,847,632</u>	<u>32,264,978</u>
<b><u>Liabilities:</u></b>		
Current Liabilities	<u>7,685,100</u>	<u>7,909,800</u>
<i>Total Liabilities</i>	<u>7,685,100</u>	<u>7,909,800</u>
<b><u>Net Position:</u></b>		
Unrestricted	<u>23,162,532</u>	<u>24,355,178</u>
<i>Total Net Position</i>	<u><u>\$23,162,532</u></u>	<u><u>\$24,355,178</u></u>

\*Amounts have been restated from previous year.

Assets decreased \$1,417,346 from fiscal year 2016 as a net result of an increase in cash and cash equivalents held by the Consortium and a decrease in accounts receivable.

Current liabilities decreased \$224,700 due to a decrease in claims payable.

The Consortium's net position is unrestricted net position. This net position represents resources that may be used to meet the Consortium's ongoing obligations to pay medical, dental and prescription claims.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2017 compared to changes for fiscal year 2016.

Table 2  
**Changes in Net Position**

	2017	2016
<b><u>Revenues:</u></b>		
<i>Operating Revenue:</i>		
Receipt for Member Districts	\$68,101,088	\$64,725,543
Stop Loss Revenue	4,169,098	3,979,843
Rebates	1,893,472	1,759,830
 <i>Nonoperating Revenue:</i>		
Interest Income	175,736	177,891
Total Revenues	74,339,394	70,643,107
<b><u>Expenses:</u></b>		
Claims Paid	67,157,226	58,801,174
Administrative Fees	5,263,038	3,987,153
Stop Loss Premiums	2,921,394	1,908,393
Life Insurance Premiums	168,731	149,663
Other Professional Services	21,651	25,004
Total Expenses	75,532,040	64,871,387
Change in Net Position	(1,192,646)	5,771,720
Net Position - Beginning of Year	24,355,178	18,583,458
Net Position - End of Year	\$ 23,162,532	\$ 24,355,178

The primary program expenses for the Consortium are Claims Paid, administrative fees, and stop loss premiums. Claims Paid, which represents 88.91 percent of the total, represents medical, dental and prescriptions claims paid as benefits for employees of the members of the Consortium.

The majority of the funding for the Consortium is premiums received from member districts. Receipts from member districts account for 91.61 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, 2017, the Consortium had no capital assets.

***SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY***

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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**Debt Administration**

At June 30, 2017, the Consortium had no general obligation debt outstanding.

**Current Issues**

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

**Contacting the Insurance Consortium's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Insurance Consortium's finances and to show the Consortium's accountability for the money it received. If you have any questions about this report or need additional information, contact Travis Bigam, Treasurer, South Central Ohio Insurance Consortium, 5240 Plum Road, Carroll, Ohio 43112.

**BASIC  
FINANCIAL STATEMENTS**

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,257,739
Cash and Cash Equivalents with Fiscal Agent	3,971,509
Investments	22,592,541
Accounts Receivable	<u>1,025,843</u>
Total Assets	<u>30,847,632</u>
<b>Liabilities:</b>	
Claims Payable	<u>7,685,100</u>
Total Liabilities	<u>7,685,100</u>
<b>Net Position:</b>	
Unrestricted	<u>23,162,532</u>
Total Net Position	<u><u>\$ 23,162,532</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating Revenues:</b>	
Receipts from Member Districts	\$ 68,101,088
Stop Loss Revenue	4,169,098
Rebates	1,893,472
Total Operating Revenues	<u>74,163,658</u>
<b>Operating Expenses:</b>	
Claims Paid	67,157,226
Administrative Fees	5,263,038
Stop Loss Premiums	2,921,394
Life Insurance Premiums	168,731
Other Professional Services	21,651
Total Operating Expenses	<u>75,532,040</u>
Operating Income (Loss)	<u>(1,368,382)</u>
<b>Other Nonoperating Revenues:</b>	
Interest Income	<u>175,736</u>
Total Other Nonoperating Revenues	<u>175,736</u>
<b>Net Change in Net Position</b>	<b>(1,192,646)</b>
<b>Net Position at Beginning of Year, Restated (See Note 8)</b>	<u>24,355,178</u>
<b>Net Position at End of Year</b>	<u><u>\$ 23,162,532</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**Cash Flows from Operating Activities:**

Cash Received from Member Districts	\$ 68,101,088
Cash Received from Stop Loss Reimbursements	8,749,165
Cash Received from Rebates	1,893,472
Cash Payments for Claims	(67,381,926)
Cash Payments for Administrative Expenses	(5,263,038)
Cash Payments for Premiums	(2,921,394)
Cash Payments for Other	(190,382)
	2,986,985

Net Cash Provided By Operating Activities	2,986,985
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**Cash Flows from Investing Activities:**

Proceeds from Investments	198,316
Interest on Investments	272,189
	470,505

Net Cash Provided By Investing Activities	470,505
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Net Increase in Cash and Cash Equivalents	3,457,490
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<b>Cash and Cash Equivalents Beginning of Year, Restated</b>	<b>3,771,759</b>
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<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 7,229,249</b>
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**Reconciliation of Operating Loss to Net  
Cash Provided By Operating Activities:**

Operating Loss	\$ (1,368,382)
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*Changes in Assets and Liabilities:*

Decrease in Accounts Receivable	4,580,067
Decrease in Claims Payable	(224,700)
	2,986,985

Net Cash Provided By Operating Activities	\$ 2,986,985
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Beginning Cash and Cash Equivalents was restated to include Cash with Fiscal Agent that was omitted from prior year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.



**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**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, dental, life, and prescription 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 Consortium consists of all funds, departments, boards, and agencies that are not legally separate from the Consortium. For South Central Ohio Insurance Consortium this is the general operations.

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

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

The financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the Consortium's accounting policies are described below.

**A. Basis of Presentation**

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

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

***SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY***

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**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 position. Statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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**

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

**D. Cash and Investments**

The Consortium's cash is held and invested by the Fiscal Agent, Bloom Carroll Local School District. The Fiscal Agent acts as the custodian for the Consortium's monies. The Consortium's assets are held in the Fiscal Agent's cash and investment pool, and is valued at the Fiscal Agent's reported carrying amount. Bloom-Carroll Local School District receives all payments from member governments and then makes the claim payments as approved by the third-party administrator. Effective June 1, 2013, the Consortium contracted with the Jefferson Health Plan for stop-loss services. The Consortium also has cash held with the Jefferson Health Plan.

To improve cash management, the cash of the Consortium is pooled and presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements. The cash held with the Jefferson Health Plan is categorized as "Cash with Fiscal Agent".

During fiscal year 2017, investments were limited to investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank Bonds (FFCBB) negotiable certificates of deposit (negotiable CD's), and U.S. Treasury Money Market Fund.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased for the Consortium are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

***SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY***

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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

An analysis of the Consortium's investments at fiscal year-end is provided in Note 3.

***E. Net Position***

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

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

As of June 30, 2017, all of the Consortium's net position is considered unrestricted.

***F. Budgetary Process***

The member governments of the Consortium are required by Ohio law to adopt an annual budget. The Consortium itself does not adopt a budget, but the Consortium's Fiscal Agent adopts a budget and files it with the Fairfield County Auditor.

***G. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the Consortium. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Consortium. All revenues and expenses not meeting this definition are reported as non-operating.

***H. Estimates***

The preparation of financial statements in conformity with GAAP 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.

***NOTE 3 - DEPOSITS AND INVESTMENTS***

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five 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.

***SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY***

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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

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 Consortium's name. During fiscal year 2017, the Consortium complied with the provisions of these statutes.

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

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

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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

The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Consortium, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Cash with Fiscal Agent:** At fiscal year end, the consortium had \$3,971,509 on deposit with the Jefferson Health Plan. The data regarding insurance and collateralization can be obtained from Jefferson Health Plan. This amount is not included in the Consortium's depositing balance below.

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

At June 30, 2017, the carrying amount of all Consortium deposits was \$3,257,739. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2017, \$250,000 of the Consortium's bank balance of \$3,234,260 was covered by FDIC and \$2,984,260 was exposed to custodial credit risk as discussed above. The amount exposed to custodial credit risk was collateralized with securities held by the Consortium or its agency in the Consortium's name or pooled securities held by the bank.

**Investments:** As of June 30, 2017, the Consortium had the following investments and maturities:

<u>Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater Than 24 Months</u>
FHLB	\$8,968,355	\$0	\$0	\$0	\$0	\$8,968,355
FHLMC	5,837,625	1,119,978	0	0	0	4,717,647
FNMA	1,274,441	299,901	0	0	0	974,540
FFCBB	149,872	149,872	0	0	0	0
Negotiable CD's	2,982,247	738,989	499,643	747,845	249,617	746,153
U.S. Treasury Money Market Fund	3,380,001	3,380,001	0	0	0	0
<b>Total</b>	<b>\$22,592,541</b>	<b>\$5,688,741</b>	<b>\$499,643</b>	<b>\$747,845</b>	<b>\$249,617</b>	<b>\$15,406,695</b>

The weighted average maturity of investments is 3.38 years.

**Interest Rate Risk:** Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Consortium's investment policy limits investment portfolio maturities to five years or less.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**  
**FAIRFIELD COUNTY**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

*Credit Risk:* The Consortium's investments in federal agency securities and U.S. Treasury Money Market Funds were rated AA+ by Standard & Poor's and Moody's Investor Services, respectively. There are no credit ratings given to investments in negotiable certificates of deposit. The Consortium's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Consortium's name. The Consortium has no investment policy dealing with investment custodial credit 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.

*Concentration of Credit Risk:* The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at June 30, 2017:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$8,968,355	39.70%
FHLMC	5,837,625	25.84%
FNMA	1,274,441	5.64%
FFCBB	149,872	0.66%
Negotiable CD's	2,982,247	13.20%
U.S. Treasury Money Market Fund	3,380,001	14.96%
Total	<u>\$22,592,541</u>	<u>100%</u>

The Consortium has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Consortium's recurring fair value measurements as of June 30, 2017. All of the Consortium's investments measured at fair value using pricing services assessed by investment managers (Level 2).

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$3,257,739
Investments	22,592,541
Cash with Fiscal Agent	<u>3,971,509</u>
Total	<u>\$29,821,789</u>
Cash and investments per statement of net position	<u>\$29,821,789</u>

***SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY***

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**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, dental and prescription insurance premiums, and their proportionate share of the administrative cost of the Consortium. Estimated claims as of June 30, 2017 are \$7,685,100. Funds available to pay claims as of that date are \$25,946,733. 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.

Claims are paid directly by the Consortium upon approval of the claims by the third-party administrator, EBMC. The Consortium purchases stop loss coverage from Jefferson Health Plan as a contract service.

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

**NOTE 5 - JOINTLY GOVERNED ORGANIZATIONS**

The South Central Ohio Insurance Consortium is a legally separate consortium. The Consortium 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 Consortium. The Consortium 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.

As of April 4, 2017, The Consortium changed its fiscal agent to Bloom-Carroll Local School District (the Fiscal Agent). Previously, the Consortium had utilized Liberty Union-Thurston Local School District as its fiscal agent. The assets and liabilities for the Consortium are reflected in an agency fund on the Fiscal Agent's financial statements.

**NOTE 6 - SUBSEQUENT EVENTS**

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

**NOTE 7 - RECEIVABLES**

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2017, the Consortium reported \$1,025,843 in accounts receivable related to stop loss reimbursements.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**  
**FAIRFIELD COUNTY**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 8 – PRIOR PERIOD ADJUSTMENTS**

For the fiscal year ended June 30, 2017, the Consortium has presented a prior period adjustment to account for stop-loss reimbursements due but not received, and cash held with its fiscal agent, the Jefferson Health Plan, its large loss stop-loss provider. All receivables are expected to be collected within one year.

The restatement to the June 30, 2016, net cash position for the Consortium follows:

Net cash position, June 30, 2016	\$17,514,517
Accounts receivable	5,605,910
Cash with Fiscal Agent	<u>1,234,751</u>
Restated net position, July 1, 2016	<u><u>\$24,355,178</u></u>





## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

South Central Ohio Insurance Consortium  
Fairfield County  
5240 Plum Road  
Carroll, Ohio 43112

To the Governing Board:

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 South Central Ohio Insurance Consortium, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the South Central Ohio Insurance Consortium's basic financial statements and have issued our report thereon dated January 19, 2018, wherein we noted as discussed in Note 8, the South Central Ohio Insurance Consortium had a prior period restatement to properly record accounts receivable and cash with fiscal agent.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the South Central Ohio Insurance Consortium'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 South Central Ohio Insurance Consortium'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 South Central Ohio Insurance Consortium'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Board of Directors  
South Central Ohio Insurance Consortium

***Compliance and Other Matters***

As part of reasonably assuring whether the South Central Ohio Insurance Consortium'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*.

***South Central Ohio Insurance Consortium's Response to Finding***

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

***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 South Central Ohio Insurance Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the South Central Ohio Insurance Consortium's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
January 19, 2018

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2017-001
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Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Accounting principles generally accepted in the United States of America (GAAP) requires revenues and expenses be recognized in the period in which the item was earned or incurred.

Certain audit adjustments were required to properly state beginning net position and accounts receivable accurately in the fiscal year end 2017 financial report.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Consortium enhance internal controls over GAAP financial reporting, including steps to analyze the conversion data provided by the accounting firm consulted for the conversion. It is further recommended the Consortium consult with their auditors, the Auditor of State and/or consult with an accounting firm while reporting unusual or infrequent items, or when an accounting estimate is in question, to help ensure accurate financial reporting.

Client Response: During fiscal year 2017, a change in fiscal agent occurred. The current fiscal agent's responsibilities became effective in April of 2017, facilitating additional procedures that resulted in a better representation of financial activity.

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# Dave Yost • Auditor of State

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2018**