

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

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**



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Columbus, Ohio 43215
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(800) 282-0370

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, 2019 through June 30, 2020. 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.

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Signature name
Signature Title
Columbus, Ohio

[[ReceivedDate]]

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

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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, 2020, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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, 2020, and the changes in its financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 3 to the financial statements, in 2020, the South Central Ohio Insurance Consortium adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. As described in Note 8 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the South Central Ohio Insurance Consortium. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *Six Year Loss Development Information*, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2020, on our consideration of the South Central Ohio Insurance Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Central Ohio Insurance Consortium's 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.
November 27, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of the South Central Ohio Insurance Consortium (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position was \$27,567,206 at June 30, 2020. This represents an increase of \$5,516,769, or 25.02%, from June 30, 2019's net position.
- The Consortium had operating revenues of \$83,500,615 and operating expenses of \$78,500,365 for fiscal year 2020. The Consortium had \$516,519 in interest revenue earned on the Consortium's investments. Operating income and the increase in net position for the fiscal year was \$5,000,250 and \$5,516,769, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consortium's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Consortium. *The statements of fiduciary net position and changes in fiduciary net position* provides information on the Consortium's custodial fund.

Reporting the Consortium Financial Activities

Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2020?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Consortium's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 7-8 of this report.

The statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

Reporting the Consortium's Fiduciary Responsibilities

The Consortium acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in a custodial fund. The Consortium's fiduciary activities are reported in a separate statements of fiduciary net position and changes in fiduciary net position on pages 10-11. The custodial fund accounts for the activity related to the Ohio Small Group Pool ("OSGP") for which the Consortium is fiscal agent. These activities are excluded from the Consortium's other financial statements because the assets cannot be utilized by the Consortium to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-21 of this report.

Required Supplementary Information

Six years of loss development information can be found on pages 25-27 of this report.

Net Position and Changes in Net Position

The table below provides a summary of the Consortium's net position at June 30, 2020 and June 30, 2019.

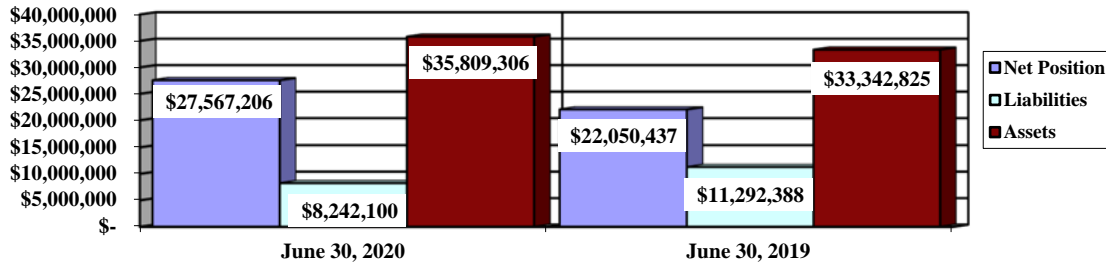
	Net Position	
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 14,231,654	\$ 9,394,787
Cash and cash equivalents with fiscal agent	-	1,067,013
Investments	19,878,187	21,500,933
Receivables (net of allowance for uncollectibles):		
Accounts	1,639,045	1,285,473
Accrued interest	56,094	94,510
Prepayments	<u>4,326</u>	<u>109</u>
Total assets	<u>35,809,306</u>	<u>33,342,825</u>
<u>Liabilities:</u>		
Accounts payable	504	18,803
Intergovernmental payable	694,511	-
Stop loss payable	1,671,110	3,342,220
Claims payable	4,786,100	7,285,300
Unearned revenue	<u>1,089,875</u>	<u>646,065</u>
Total liabilities	<u>8,242,100</u>	<u>11,292,388</u>
<u>Net Position:</u>		
Unrestricted	<u>27,567,206</u>	<u>22,050,437</u>
Total net position	<u>\$ 27,567,206</u>	<u>\$ 22,050,437</u>

The assets of the Consortium are comprised mainly of cash and cash equivalents and investments that are held with the Consortium's fiscal agent, Bloom Carroll Local School District. Liabilities of the Consortium are mainly claims payable related to medical, prescription, dental and vision incurred but not reported (IBNR) claims outstanding at fiscal year-end and unearned revenue. At June 30, 2020, the Consortium also reported a stop loss payable related to a true up between premium payments and stop loss claims and an intergovernmental payable due to members that left the Consortium at June 30, 2020.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The chart below shows a breakdown of the Consortium's assets, liabilities and net position at June 30, 2020 and June 30, 2019.



The table below shows the changes in net position for fiscal year 2020 and 2019.

Change in Net Position

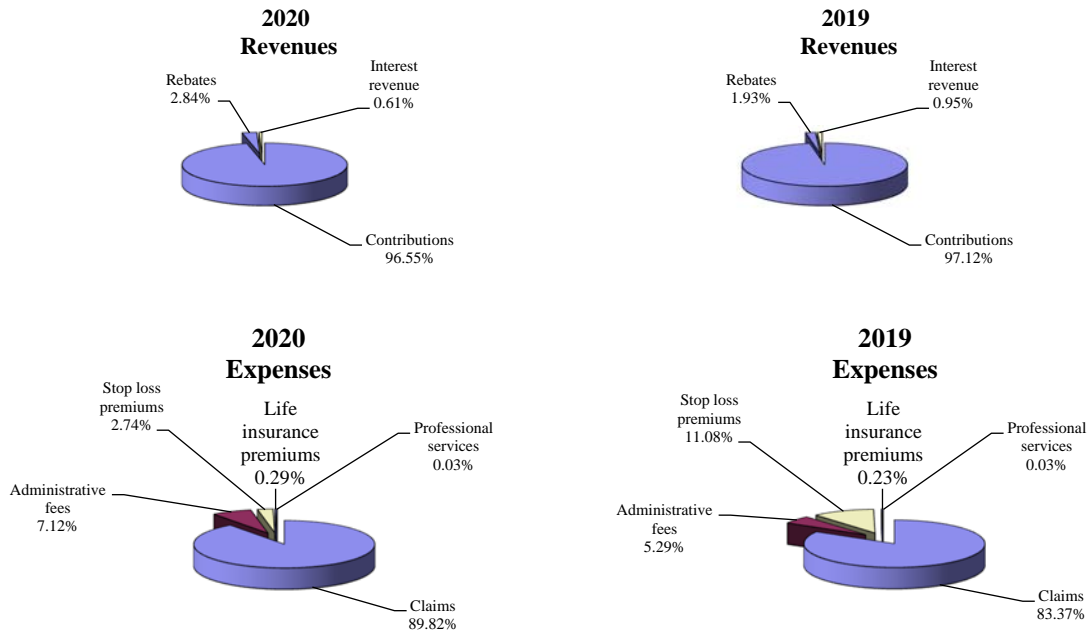
	<u>2020</u>	<u>2019</u>
<u>Operating Revenues:</u>		
Receipts from member districts	\$ 81,110,879	\$ 73,710,271
Rebates	2,389,736	1,463,503
Total operating revenue	<u>83,500,615</u>	<u>75,173,774</u>
<u>Operating Expenses:</u>		
Claims	70,506,620	65,703,347
Administrative fees	5,591,312	4,170,213
Stop loss premiums	2,151,669	8,730,586
Life insurance premiums	228,621	184,090
Other professional services	22,143	25,589
Total operating expenses	<u>78,500,365</u>	<u>78,813,825</u>
Operating income (loss)	<u>5,000,250</u>	<u>(3,640,051)</u>
<u>Nonoperating revenues:</u>		
Interest revenue	516,519	720,844
Total nonoperating revenues	<u>516,519</u>	<u>720,844</u>
Change in net position	<u>5,516,769</u>	<u>(2,919,207)</u>
Net position, July 1	<u>22,050,437</u>	<u>24,969,644</u>
Net position, June 30	<u>\$ 27,567,206</u>	<u>\$ 22,050,437</u>

During fiscal year 2020, the Consortium's net position increased by \$5,516,769. The primary reason for the increase related to an increase in receipts from member districts. This increase was due to increased premiums charged to the members due to increased claims expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The charts below reflect the percentage of the revenues and expenses in fiscal year 2020 and 2019.



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 Consortium's Financial Management

This financial report is designed to provide our member districts, citizens and other interested parties with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Travis Bigam, Treasurer, South Central Ohio Insurance Consortium, 5240 Plum Road, Carroll, Ohio 43112.

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

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:	
Equity in pooled cash and cash equivalents	\$ 14,231,654
Investments	19,878,187
Receivables:	
Accounts	1,639,045
Accrued interest.	56,094
Prepayments	<u>4,326</u>
Total assets.	<u>35,809,306</u>
Liabilities:	
Accounts payable.	504
Intergovernmental payable	694,511
Stop loss payable	1,671,110
Claims payable	4,786,100
Unearned revenue	<u>1,089,875</u>
Total liabilities	<u>8,242,100</u>
Net position:	
Unrestricted.	<u>27,567,206</u>
Total net position.	<u>\$ 27,567,206</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, 2020

Operating revenues:	
Receipts from member governments.	\$ 81,110,879
Rebates	2,389,736
Total operating revenues	<u>83,500,615</u>
 Operating expenses:	
Claims	70,506,620
Administrative fees	5,591,312
Stop loss premiums	2,151,669
Life insurance premiums.	228,621
Other professional services	22,143
Total operating expenses.	<u>78,500,365</u>
Operating income.	<u>5,000,250</u>
 Non-operating revenues:	
Interest revenue	516,519
Total nonoperating revenues	<u>516,519</u>
Change in net position	5,516,769
Net position at beginning of year	<u>22,050,437</u>
Net position at end of year	<u><u>\$ 27,567,206</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, 2020

Cash flows from operating activities:	
Cash received from member governments	\$ 81,997,640
Cash received from rebates	1,593,213
Cash payments for claims	(73,005,820)
Cash payments for administrative expenses.	(4,896,801)
Cash payments for stop loss premiums	(3,838,572)
Cash payments for life insurance premiums.	(228,621)
Cash payments for other professional services.	(28,866)
	<hr/>
Net cash provided by operating activities	1,592,173
	<hr/>
Cash flows from investing activities:	
Interest received	424,946
Cash received from the maturity of investments	19,025,000
Cash paid to purchase investments	(17,272,265)
	<hr/>
Net cash provided by investing activities	2,177,681
	<hr/>
Net change in cash and cash cash equivalents	3,769,854
Cash and cash equivalents at beginning of year	10,461,800
Cash and cash equivalents at end of year	\$ 14,231,654
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 5,000,250
Changes in assets and liabilities:	
Accounts receivable	(353,572)
Prepayments	(4,217)
Accounts payable.	(18,299)
Intergovernmental payable	694,511
Stop loss payable	(1,671,110)
Claims payable	(2,499,200)
Unearned revenue	443,810
	<hr/>
Net cash provided by operating activities	\$ 1,592,173
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
JUNE 30, 2020

Assets:	
Equity in pooled cash and cash equivalents	\$ 135,957
Total assets.	<u>\$ 135,957</u>
 Net position:	
Restricted for individuals, organizations and other governments	<u>135,957</u>
Total net position.	<u>\$ 135,957</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Additions:	
Amounts received as fiscal agent	<u>\$ 2,005,911</u>
Deductions:	
Distributions as fiscal agent	<u>2,046,333</u>
Net change in fiduciary net position	(40,422)
Net position beginning of year (restated) .	<u>176,379</u>
Net position end of year	<u><u>\$ 135,957</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, vision 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 statements included in this report represent 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; a statement of cash flows; statement of fiduciary net position; and statement of changes in fiduciary net position.

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

The Consortium uses a fiduciary fund for the Ohio Small Group Pool (“OSGP”) for which the Consortium is the fiscal agent. Fiduciary fund reporting focuses on net position and changes in net position. The only fiduciary fund is a custodial fund related to the OSGP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from the custodial fund.

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, cash equivalents and investments are held and invested by Bloom Carroll Local School District (the "Fiscal Agent"). 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. The Fiscal Agent receives all payments from member governments and then makes the claim payments as approved by the third-party administrator.

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.

During fiscal year 2020, investments were limited to investments in a U.S. government money market, negotiable certificates of deposit (negotiable CD's), commercial paper, Federal Farm Credit Bank Bonds (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities and Federal National Mortgage Association (FNMA) securities.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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.

An analysis of the Consortium's investments at fiscal year-end is provided in Note 4.

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, 2020, 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.

I. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. The unearned revenue for the Consortium represents fiscal year 2021 premiums received in fiscal year 2020.

J. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2020, the Consortium has implemented GASB Statement No. 84, "Fiduciary Activities" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Consortium will no longer be reporting an agency fund. The Consortium reviewed its agency fund which will be reported in the new fiduciary classification of a custodial fund.

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$176,379. At June 30, 2019, the agency fund reported assets and liabilities of \$176,739.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Consortium.

NOTE 4 - 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.

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. Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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 2020, the Consortium complied with the provisions of these statutes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain banker's acceptance (for a period not to exceed one-hundred eighty days) and commercial paper notes (for a period not to exceed two-hundred-seventy days) in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited.

The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, 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."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all Consortium deposits and bank balance of the Consortium deposits was \$12,614,876. Of the bank balance of \$12,614,040, \$250,000 was covered by the FDIC and \$12,364,040 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Consortium has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

B. Investments

As of June 30, 2020, the Consortium had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement Value	Investment Maturities		
		6 months or less	7 to 12 months	Greater than 24 months
<i>Fair Value:</i>				
U.S. Government money market	\$ 1,752,735	\$ 1,752,735	\$ -	\$ -
Negotiable CDs	4,814,145	500,670	-	4,313,475
Commercial paper	3,491,373	-	3,491,373	-
FNMA	1,000,770	1,000,770	-	-
FFCB	4,703,944	-	-	4,703,944
FHLMC	1,999,960	-	-	1,999,960
FHLB	3,867,995	-	-	3,867,995
Total	<u>\$ 21,630,922</u>	<u>\$ 3,254,175</u>	<u>\$ 3,491,373</u>	<u>\$ 14,885,374</u>

The weighted average maturity of investments is 2.64 years.

The Consortium categorizes 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 Consortium's investments in U.S. government money market funds are valued using quoted market prices in active markets (Level 1 inputs). The Consortium's investments in negotiable CDs, commercial paper and federal agency securities (FFCB, FHLB, FHLMC, FNMA) are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned the U.S. government money market an AAAM money market rating. The Consortium's investments in commercial paper were rated P-1 by Moody's Investor Services. The Consortium's investments in federal agency securities were rated AA+ and Aaa 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. The negotiable CDs are covered by FDIC.

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, 2020:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
U.S. government money market	\$ 1,752,735	8.10
Negotiable CDs	4,814,145	22.25
Commercial paper	3,491,373	16.14
FNMA	1,000,770	4.63
FFCB	4,703,944	21.75
FHLMC	1,999,960	9.25
FHLB	<u>3,867,995</u>	<u>17.88</u>
Total	<u>\$ 21,630,922</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

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, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,614,876
Investments	<u>21,630,922</u>
Total	<u>\$ 34,245,798</u>
 <u>Cash and investments per financial statements</u>	
Enterprise fund	\$ 34,109,841
Custodial fund	<u>135,957</u>
Total	<u>\$ 34,245,798</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - RISK MANAGEMENT

The Consortium established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and related loss adjustment expenses. The claims liability as required by GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", was provided by the Consortium's independent actuary, Group Benefit Consulting, LLC.

The 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, vision, life and prescription insurance premiums, and their proportionate share of the administrative cost of the Consortium. Estimated claims as of June 30, 2020 are \$4,786,100. Funds available to pay claims as of that date are \$34,001,919. 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, Miller-Lewis Benefit Consultants. 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, vision, life and prescription portions of the health insurance program.

Changes in claims activity for the fiscal year ended June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Claims payable at beginning of fiscal year	\$ 7,285,300	\$ 8,235,800
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	62,413,542	57,568,255
Increase in claims expenses for insured events of the prior years	<u>8,093,078</u>	<u>8,135,092</u>
Total claims expenses	<u>70,506,620</u>	<u>65,703,347</u>
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	65,312,542	57,968,055
Claims expenses paid attributable to insured events of prior years	<u>7,693,278</u>	<u>8,685,792</u>
Total claims payments	<u>73,005,820</u>	<u>66,653,847</u>
Claims payable at end of fiscal year	<u>\$ 4,786,100</u>	<u>\$ 7,285,300</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 6 - JOINTLY GOVERNED ORGANIZATION RELATIONSHIP WITH MEMBERS

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.

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, 2020, the Consortium reported \$1,639,045 in accounts receivable related to stop loss reimbursements, rebates and amounts from member governments. The Consortium also reported \$56,094 in accrued interest receivable.

NOTE 8 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Consortium. The Consortium's investment portfolio is subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Consortium's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SIX-YEAR LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Consortium's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Consortium as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Consortium including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Consortium's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the fiscal years ended June 30, 2015 through 2020 is provided on the next page. Claims information prior to fiscal year 2015 was unavailable.

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

SIX-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1. Premiums and investment income	\$ 55,675,344	\$ 64,903,434	\$ 68,276,824	\$ 72,836,414
2. Unallocated expenses	10,230,469	11,676,123	8,374,814	8,723,806
3. Estimated losses incurred and expense, end of year	n/a	n/a	n/a	59,492,740
4. Paid, cumulative as of:				
End of accident year	n/a	n/a	n/a	58,942,040
One year later	n/a	n/a	6,728,907	67,528,918
Two years later	n/a	114,584	6,824,722	67,574,123
Three years later	44,486	117,683	6,824,722	-
Four years later	44,486	117,683	-	-
Five years later	44,486	-	-	-
5. Re-estimated incurred losses and expense:				
End of accident year	n/a	n/a	n/a	59,492,740
One year later	n/a	n/a	6,728,907	67,528,918
Two years later	n/a	114,584	6,824,722	67,574,123
Three years later	44,486	117,683	6,824,722	-
Four years later	44,486	117,683	-	-
Five years later	44,486	-	-	-
6. Increase in estimated incurred losses and expenses from end of accident year	44,486	117,683	6,824,722	8,081,383

n/a - information not available.

<u>2019</u>	<u>2020</u>
\$ 74,431,115	\$ 81,627,398
13,110,478	7,993,745
57,968,055	62,413,542
57,968,055	65,312,542
65,616,128	-
-	-
-	-
-	-
-	-
57,568,255	62,413,542
65,616,128	-
-	-
-	-
-	-
-	-
8,047,873	-

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

To the Governing Board:

We have audited, in accordance with the 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, the financial statements of the South Central Ohio Insurance Consortium, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2020, 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 November 27, 2020, wherein we noted as described in Note 3 to the financial statements, the South Central Ohio Insurance Consortium adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 8 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Central Ohio Insurance Consortium's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Central Ohio Insurance Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Ohio Insurance Consortium's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the South Central Ohio Insurance Consortium's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

South Central Ohio Insurance Consortium

Fairfield County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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 in accordance with *Government Auditing Standards* in considering the South Central Ohio Insurance Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

November 27, 2020