Putnam County Schools Insurance Group
Putnam County
Audited Financial Statements

For the Year Ended December 31, 2008

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS
Focused on Your Future.

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Putnam County Schools Insurance Group, Putnam County, prepared by Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 8, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
PUTNAM COUNTY

TABLE OF CONTENTS

This Page is Intentionally Left Blank.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS
Focused on Your Future.

June 24, 2009

To the Board of Directors
Putnam County Schools Insurance Group
Ottawa, Ohio 45875

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activity of the Putnam County Schools Insurance Group (the "Group") as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Group's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Group, as of December 31, 2008, and the respective change in financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009 on our consideration of the Group's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplement information on pages 2 through 5 and 14, respectively, are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

2300 Baton Rouge Ave. | Lima, OH 45805-1197 | p: 419.331.1040 | f: 419.331.1120

PUTNAM COUNTY SCHOOLS
INSURANCE GROUP
PUTNAM COUNTY, OHIO

Management's Discussion and Analysis
For the Calendar Year Ending December 31, 2008

The following report reflects on the financial condition of the Putnam County Schools Insurance Group (the "Group") for the calendar year ended December 31, 2008. Within the limitations of the Group's cash basis of accounting, this information is provided to enhance the information in the financial statements and the corresponding notes and should be reviewed in concert with that report.

Financial Highlights, Year Ending December 31, 2008

- Total revenues were $7.4 million, representing contributions from eleven members during the period from January 1, 2008 through December 31, 2008.
- Total net non-operating revenues were $83,507 during the year.
- Total expenses were $5.6 million, with claims payments representing $4.8 million, or 85%, stop loss premiums represented $433,910 or 8%, administrative expenses represented $312,912 or 6% and professional fees represented $73,500 or 1%.
- Projected claims and administrative expense liabilities were $1.1 million at December 31, 2008.

Using these Cash-Basis Financial Statements

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

Reporting the Group's Financial Activities

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

These statements look at all financial transactions and ask the question, "How did we do financially during 2008?" The Statement of Net Assets – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets answer these questions.

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

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

The table below provides a summary of the Group's net assets for 2008 compared to 2007.

Financial Analysis

Net Assets

	2008	2007
Assets		
Equity in pooled cash & investments	$ 5,861,816	$ 4,035,768
Total assets	$ 5,861,816	$ 4,035,768
Net Cash Assets		
Unrestricted	$ 5,861,816	$ 4,035,768
Total net cash assets	$ 5,861,816	$ 4,035,768

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008 and 2007, the Group's net cash assets totaled $5,861,815 and $4,035,768 respectively. The increase in net cash assets is a result of increased premiums and interest receipts, as well as changes to the overall plan and reduced claims activity.

The table below shows the changes in net cash assets for the years ending December 31, 2008 and 2007. Net assets increased $1,826,048 primarily as a result of a decrease in administrative fees and an increase in member contributions in 2008 versus 2007.

Change in Net Cash Assets

	2008	2007
Operating cash receipts		
Member contributions	$ 7,398,269	$ 7,162,607
Total operating receipts	7,398,269	7,162,607
Operating cash disbursements		
Claims	4,835,326	4,829,096
Insurance premiums	433,910	733,013
Administrative fees	312,992	385,425
Professional fees	73,500	85,260
Total operating cash disbursements	5,655,728	6,032,794
Operating income	1,742,541	1,129,813
Non-operating cash receipts		
Interest income	83,507	127,436
Total non-operating cash receipts	83,507	127,436
Change in net cash assets	1,826,048	1,257,249
Beginning net cash assets	4,035,768	2,778,519
Ending net cash assets	$ 5,861,816	$ 4,035,768

Current Financial Related Activities

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

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

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

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

Contacting the Group's Financial Management

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

Putnam County Schools Insurance Group
Putnam County, Ohio

Statement of Net Assets - Cash Basis
December 31, 2008

Assets:	
Equity in pooled cash and investments	$ 5,861,816
Total assets	**$ 5,861,816**
Net Cash Assets:	
Unrestricted	$ 5,861,816
Total net cash assets	**$ 5,861,816**

See accompanying notes to the financial statements.

Putnam County Schools Insurance Group
Putnam County , Ohio

Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets
For the Fiscal Year Ended December 31, 2008

Operating cash receipts:	
Contributions from members	$ 7,398,269
Total operating cash receipts	7,398,269
Operating cash disbursements:	
Professional Fees	73,500
Administrative fees	312,992
Insurance Premium for Coverages	433,910
Claims	4,835,326
Total operating cash disbursements	5,655,728
Operating income	1,742,541
Non-operating cash receipts:	
Interest Income	83,507
Total non-operating cash receipts	83,507
Change in cash net assets	1,826,048
Net cash assets at beginning of year	4,035,768
Net cash assets at end of year	$ 5,861,816

See accompanying notes to the financial statements.

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 1 – Financial Reporting Entity

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

The governing body of the Group is the Board of Trustees composed of the representatives of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of December 31, 2008, there were eleven participating members of the Group. The Board of Trustees and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) shall function as the advisory body to the Group. The Board consists of the superintendent of each member.

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

For the years ended December 31 2008, the Group has elected to present the financial statements in the GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" format.

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

B. Basis of Accounting

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Non-negotiable certificates of deposit are valued at cost.

D. Budgetary Process

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

E. Net Assets

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

Note 3 – Deposits and Investments

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

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

Note 3 – Deposits and Investments (continued)

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time

Note 3 – Deposits and Investments (continued)

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

Deposits

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

At December 31, 2008, the carrying amount of the Group's deposits and the bank balance was $4,558,835. Of the bank balance, $750,000 was covered by federal depository insurance and $3,808,835 was uninsured and collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Group's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Group to a successful claim by the Federal Deposit Insurance Corporation.

Investments

As of December 31, 2008, the Group had the following investments:

Investment Type	Carrying and Fair Value	Maturities Less than 1 year	% of Total Portfolio
Repurchase Agreement	$1,302,981	$1,302,981	100%

Interest Rate Risk
The Group has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Group, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk
Putnam County Schools Insurance Group's repurchase agreements are invested in U.S. Agencies, Treasuries and Mortgage-Backed Securities. The Group places no limit on the amount it may invest in any one issuer. The Group's investments may exceed federally insured limits. The Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on investments.

Note 3 – Deposits and Investments (continued)

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

The Group places no limit on the amount it may invest in any one issuer.

Note 4 – Risk Management

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

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

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

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

	2008	2007
Cash and Investments	$ 5,861,816	$ 4,035,768
Actuarial liabilities	1,100,621	1,260,868

Note 5 – Contracted Services

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

Note 6 – Reserve for Claims Losses

Putnam County Schools Insurance Group, under its terms of membership, shall establish adequate reserves for claims and unallocated loss adjustment expenses. In 2008, the Loss Reserve decreased $160,247 to $1,100,621. The loss reserve percentage decreased to 19.0% from 20.3%. Total expenses for the years ended December 31, 2008 and 2007, respectively were approximately $5.7 million and $6.0 million.

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

Year	Balance	Claims	Payments	Balance
2007	$1,337,262	$5,138,127	$5,214,521	$1,260,868
2008	1,260,868	4,988,071	5,148,318	1,100,621

PUTNAM COUNTY SCHOOLS INSURANCE GROUP
Putnam County, Ohio

Required Supplementary Information
Ten-Year Loss Development Information

	Fiscal and Accident Year					
	2003	2004	2005	2006	2007	2008
Premiums and investment revenue:						
Earned	$ 5,634,644	$ 6,257,835	$ 7,236,162	$ 7,385,662	$ 7,290,043	$ 7,481,776
Ceded	(362,899)	(549,478)	(661,334)	(639,523)	(733,013)	(433,910)
Net earned	5,271,745	5,708,357	6,574,828	6,746,139	6,557,030	7,047,866
Unallocated expenses	0	0	0	0	0	0
Estimated losses and expenses, end of accident year:						
Incurred	5,606,215	6,584,166	6,133,483	4,989,900	5,138,127	4,849,333
Ceded	0	0	0	0	0	0
Net incurred	5,606,215	6,584,166	6,133,483	4,989,900	5,138,127	4,849,333
Net paid cumulative as of:						
End of accident year	5,527,734	6,246,038	5,802,923	4,900,422	4,782,891	4,575,784
One year later	5,606,215	6,584,166	6,133,483	5,575,036	5,216,687	
Two years later	5,606,215	6,584,166	6,133,483	5,575,036		
Re-estimated ceded losses and expenses	0	0	0	0	0	0
Re-estimated net incurred losses and expenses:						
End of accident year	5,606,215	6,584,166	6,133,483	4,989,900	5,381,111	4,849,333
One year later	5,606,215	6,584,166	6,133,483	4,989,900		
Two years later	5,606,215	6,584,166	6,133,483			
Increase (decrease) in estimated net incurred losses and expenses from end of accident year	0	0	0	0	(242,984)	0

Information prior to fiscal year 2003 not available

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS
Focused on Your Future.

June 24, 2009

To the Board of Directors
Putnam County Schools Insurance Group
Ottawa, Ohio 45875

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

We have audited the financial statements of the business-type activity of the Putnam County Schools Insurance Group (the Group) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 24, 2009, wherein we noted the Group uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Putnam County Schools Insurance Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Putnam County Schools Insurance Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Putnam County Schools Insurance Group's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

2300 Baton Rouge Ave. | Lima, OH 45805-1197 | p: 419.331.1040 | f: 419.331.1120

We noted certain matters that we reported to management of Putnam County Schools Insurance Group in a separate letter dated June 24, 2009.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Putnam County Schools Insurance Group in a separate letter dated June 24, 2009.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than the specified parties.

Rea & Associates, Inc.

Mary Taylor, CPA
Auditor of State

PUTNAM COUNTY SCHOOLS INSURANCE GROUP

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 22, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us