

**SAN-OTT INSURANCE CONSORTIUM
OTTAWA COUNTY, OHIO**

***FINANCIAL STATEMENT
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JULY 31, 2013**

WILLIAM NYE, CHAIRPERSON



Dave Yost • Auditor of State

Board of Directors
San-Ott Insurance Consortium
2810 N. Genoa-Clay Center Road
Genoa, Ohio 43430

We have reviewed the *Independent Auditor's Report* of the San-Ott Insurance Consortium, Ottawa County, prepared by Julian & Grube, Inc., for the audit period August 1, 2012 through July 31, 2013. 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 San-Ott Insurance Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2014

This page intentionally left blank.

**SAN-OTT INSURANCE CONSORTIUM
OTTAWA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JULY 31, 2013**

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balance	3
Notes to the Financial Statement	4 - 5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	6 - 7

This page intentionally left blank.



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

San-Ott Insurance Consortium
Ottawa County
2810 N. Genoa-Clay Center Road
Genoa, Ohio 43430

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of the San-Ott Insurance Consortium, Ottawa County, Ohio as of and for the fiscal year ended July 31, 2013.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 San-Ott 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 San-Ott Insurance Consortium's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the San-Ott Insurance Consortium prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the San-Ott Insurance Consortium as of July 31, 2013, or changes in financial position or cash flows thereof for the fiscal year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the San-Ott Insurance Consortium, Ottawa County, Ohio, as of July 31, 2013, and its cash receipts and disbursements for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013, on our consideration of the San-Ott 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 San-Ott Insurance Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 24, 2013

SAN-OTT INSURANCE CONSORTIUM
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCE
FOR THE FISCAL YEAR ENDED JULY 31, 2013

OPERATING CASH RECEIPTS	
Member Contributions	\$ 10,349,760
Administrative Fees Refund	40,346
Stop Loss Refund	807,818
Prescription Drug Rebates	<u>172,115</u>
Total Operating Cash Receipts	<u>11,370,039</u>
OPERATING CASH DISBURSEMENTS	
Claims Paid	11,964,222
Administrative Fees	796,040
Insurance Premiums	63,451
Professional Fees	125,776
Miscellaneous Fees	<u>2,636</u>
Total Operating Cash Disbursements	<u>12,952,125</u>
Excess of operating cash receipts over/(under) operating disbursements	<u>(1,582,086)</u>
NON-OPERATING CASH RECEIPTS	
Investment Receipts	<u>36,578</u>
Total Non-Operating Receipts	<u>36,578</u>
Change in Cash Fund Balance	(1,545,508)
CASH FUND BALANCE AT BEGINNING OF YEAR	<u>4,852,523</u>
CASH FUND BALANCE AT END OF YEAR	<u><u>\$ 3,307,015</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

**SAN-OTT INSURANCE CONSORTIUM
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JULY 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

San-Ott Insurance Consortium (the "Consortium") is an Ohio not-for-profit corporation organized under Section 501(c)(9) of the Internal Revenue Code for the public purpose of enabling its members to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Consortium provides coverage for medical, dental and prescription drug benefits. Members of the Consortium include the following nine entities: Benton-Carroll-Salem Schools, Clyde-Green Springs Schools, Danbury Local Schools, Genoa Area Local Schools, Gibsonburg Exempted Village Schools, Port Clinton City Schools, Put-in-Bay Schools, Vanguard-Sentinel Career Technology Centers and Woodmore Local Schools.

Basis of Accounting

This financial statement follows the cash basis of accounting prescribed or permitted by the Ohio Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. All transactions are accounted for in a single enterprise fund.

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

Cash and Investments

Investments are included in cash balances. 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 investment receipts. The Consortium did not have any investments as of July 31, 2013.

Certificates of deposit are valued at cost.

Member and Supplemental Contributions

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative disbursements of the Consortium and to create reserves for claims and unallocated loss adjustment expenses. Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative disbursements, the Board of Directors can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Consortium and any later period when claims or disbursements need to be paid which are attributable to any membership year during which the event or claim occurred.

NOTE 2 - EQUITY IN CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents at July 31, 2013 was as follows:

Demand Deposits	\$ 1,904,210
Certificates of Deposit	<u>1,402,805</u>
Total Cash and Cash Equivalents	<u>\$ 3,307,015</u>

**SAN-OTT INSURANCE CONSORTIUM
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JULY 31, 2013

NOTE 2 - EQUITY IN CASH AND CASH EQUIVALENTS - (Continued)

Deposits

At July 31, 2013, the carrying amount and bank balance of the Consortium's deposits was \$1,904,210. Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Consortium, or (3) collateralized by the financial institution's public entity deposit pool.

Investments

Investments in mutual funds (such as STAR Ohio) are not evidenced by securities that exist in physical or book entry form. The Consortium did not have any investments as of July 31, 2013.

There are no statutory requirements governing the investment of Consortium funds.

NOTE 3 - ADMINISTRATIVE FEES

The Consortium has contracted with Medical Mutual of Ohio to provide claims processing and other various administrative services related to processing medical and dental claims. Similarly, the Consortium has contracted with Express Scripts for processing claims for prescription drug benefits.

NOTE 4 - LOSS RESERVE

The Consortium provides health, dental and prescription drug insurance coverage to employees of its members. The Consortium pays covered claims to service providers and recovers these costs through actuarially determined per employee premiums. The loss reserve includes both reported and unreported insured events and estimated future payments of losses adjustment disbursements. A comparison of cash and investments, to the actuarially determined loss reserve as of July 31, 2013 is as follows:

Cash and Investments	\$ 3,307,015
Actuarial Loss Reserve	1,410,800



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***

San-Ott Insurance Consortium
Ottawa County
2810 N. Genoa-Clay Center Road
Genoa, Ohio 43430

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the San-Ott Insurance Consortium, Ottawa County, Ohio, as of and for the fiscal year ended July 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 24, 2013 wherein we noted the San-Ott Insurance Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the San-Ott 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 statement, but not to the extent necessary to opine on the effectiveness of the San-Ott 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 San-Ott Insurance Consortium's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
San-Ott Insurance Consortium

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the San-Ott 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 San-Ott Insurance Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 24, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

SAN-OTT INSURANCE CONSORTIUM

OTTAWA 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
FEBRUARY 13, 2014**