

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2013**



Dave Yost • Auditor of State

Board of Directors
South Central Ohio Insurance Consortium
1108 South Main Street
Baltimore, Ohio 43105

We have reviewed the *Independent Auditors' Report* of the South Central Ohio Insurance Consortium, Fairfield County, prepared by JC & Co., for the audit period July 1, 2012 through June 30, 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 South Central Ohio Insurance Consortium is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 13, 2014

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**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY**

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Certified Public Accountants

125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

Jeanette R. Addington, MBA, CPA, CGFM

Brian D. Long, CPA

Keith A. Lewis, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
South Central Ohio Insurance Consortium
Fairfield County
1108 S. Main Street
Baltimore, Ohio 43105

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of South Central Ohio Insurance Consortium, Fairfield County, Ohio (the "Consortium") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 entity'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 entity'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 opinions.

much more than an accounting firm

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of South Central Ohio Insurance Consortium, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 December 27, 2013, on our consideration of the 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 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 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 Consortium's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "JC & Co." with a stylized flourish at the end.

JC & Co.
December 27, 2013

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)**

The discussion and analysis of the South Central Ohio Insurance Consortium's financial performance provides an overview and analysis of the Consortium's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Consortium's financial performance.

FINANCIAL HIGHLIGHTS

- < The assets of South Central Ohio Insurance Consortium exceeded its liabilities at June 30, 2013 by \$22,578,536. This balance was comprised of unrestricted net assets.
- < In total, net position increased by \$51,907 which represents a .23 percent increase from 2012.

USING THIS ANNUAL REPORT

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

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

The statement of net position and the statement of revenues, expenses, and change in net position reflect how the Consortium did financially during the fiscal year ended June 30, 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Consortium's net position and change in that position. This change in net position is important because it tells the reader whether the financial position of the Consortium has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The Consortium uses enterprise presentation for all of its activities.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)**

FINANCIAL ANALYSIS

Table 1 provides a summary of the Consortium's net position for 2013 compared to fiscal year 2012:

**Table 1
Net Position at Year End**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$26,138,536	\$25,373,629
Total Assets	26,138,536	25,373,629
<u>Liabilities:</u>		
Current Liabilities	3,563,000	2,850,000
Total Liabilities	3,563,000	2,850,000
<u>Net Position:</u>		
Unrestricted	22,575,536	22,523,629
Total Net Position	<u>\$22,578,536</u>	<u>\$22,523,629</u>

Current and other assets increased \$764,907 from fiscal year 2012 due to an increase in cash and cash equivalents held by the Insurance Consortium, which is the result of an increase in premiums from member districts.

Current liabilities increased \$713,000 due to an increase in claims payable, and more participants which results in high claims.

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

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)**

Table 2 shows the changes in net position for fiscal year 2013 compared to changes for fiscal year 2012.

**Table 2
Changes in Net Position**

	2013	2012
<i>Revenues:</i>		
<i>Operating Revenue:</i>		
Receipts from Member Districts	\$41,148,995	\$39,969,189
<i>Nonoperating Revenue:</i>		
Interest Income	156,038	380,747
<i>Total Revenues</i>	41,305,033	40,349,936
<i>Expenses:</i>		
Claims Paid	41,253,126	38,656,907
<i>Total Expenses</i>	41,253,126	38,656,907
<i>Change in Net Position</i>	51,907	1,693,029
Net Position – Beginning of Year	22,523,629	20,830,600
Net Position – End of Year	\$22,575,536	\$22,523,629

The program expenses for the Consortium are Claims Paid. Claims Paid, which represents 100 percent of the total, represents medical, dental claims paid, and other costs as benefits for employees of the members of the Consortium.

The majority of the funding for the Consortium is premiums received from member districts. Receipts from member districts account for 99.62 percent of total revenues.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
FAIRFIELD COUNTY
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)**

Budget Highlights

The South Central Ohio Insurance Consortium is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Consortium had no capital assets.

Debt Administration

At June 30, 2013, the Consortium had no general obligation debt outstanding.

CURRENT ISSUES

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

CONTACTING THE INSURANCE CONSORTIUM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it received. If you have any questions about this report or need additional information, contact Dave Butler, Treasurer, South Central Ohio Insurance Consortium, 1108 S. Main Street, Baltimore, Ohio 43105.

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
STATEMENT OF NET POSITION
June 30, 2013

Assets:

Equity in Pooled Cash and Cash Equivalents \$26,138,536

Total Assets 26,138,536

Liabilities:

Claims Payable 3,563,000

Total Liabilities 3,563,000

Net Position:

Unrestricted 22,575,536

Total Net Position \$22,575,536

See accompanying notes to the basic financial statements

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION
Year Ended June 30, 2013

Operating Revenues:

Receipts from Member Districts \$41,148,995

Total Operating Revenues 41,148,995

Operating Expenses:

Claims Paid 41,253,126

Total Operating Expenses 41,253,126

Operating Income (Loss) (104,131)

Other Nonoperating Revenues:

Interest Income 156,038

Total Other Nonoperating Revenues 156,038

Net Change in Net Position 51,907

Net Position at Beginning of Year 22,523,629

Net Position at End of Year \$22,575,536

See accompanying notes to the basic financial statements

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Member Districts	\$41,148,995
Cash Payments for Claims	<u>(40,540,126)</u>

Net Cash from Operating Activities	<u>608,869</u>
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Cash Flows from Investing Activities:

Interest on Investments	<u>156,038</u>
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Net Cash from Investing Activities	<u>156,038</u>
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Net Increase in Cash and Cash Equivalents	764,907
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Cash and Cash Equivalents Beginning of Year	<u>25,373,629</u>
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Cash and Cash Equivalents End of Year	<u><u>\$26,138,536</u></u>
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**Reconciliation of Operating Income
to Net Cash from Operating Activities:**

Operating Income	(\$104,131)
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Increase in Liabilities:

Claims Payable	<u>713,000</u>
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Total Adjustments	<u>713,000</u>
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Net Cash from Operating Activities	<u><u>\$608,869</u></u>
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SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Consortium have been prepared in conformity with generally accepted accounting principles (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 Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Consortium's accounting policies are described below.

A. Basis of Presentation

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

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

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 assets. Statement of revenues, expenditures and change in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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.

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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

C. Basis of Accounting

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

D. Cash and Investments

The Consortium's cash is held and invested by the Fiscal Agents, Liberty Union-Thurston Local School District and Ohio Mid-Eastern Regional Education Service Center (OME-RESA). These Fiscal Agents act as custodians for Consortium monies. The Consortium's assets are held in the Fiscal Agent's cash and investment pools, and are valued at the Fiscal Agents reported carrying amount and reported as cash on the Consortium's books. Through May 31, 2013, Liberty Union-Thurston Local School District received all payments from member governments and then forwarded the medical, dental and prescription portion on to OME-RESA. Effective June 1, 2013, Liberty Union-Thurston Local School District now receives all payments and pays the claims plus other expenses for the member governments.

E. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation. 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 when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

As of June 30, 2013, all of the Consortium's net position are 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. Included in the operating revenue was an additional premium of \$162.25 or \$204.50 dependent on a pooling limit of \$50,000 or \$35,000 per employee from the member governments to accumulate resources for future losses and to find any other necessary and proper cost, liability, and/or expense of the Consortium.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013**

NOTE 3- DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two 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 monies 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 accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least at 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Insurance Consortium's name. During fiscal year 2013, the Consortium complied with the provisions of these statutes.

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

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

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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. 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."

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

At June 30, 2013, the carrying amount of all Consortium deposits was \$26,138,536. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2013, \$25,638,536 of the Consortium's bank balance was exposed to custodial risk as discussed above, while \$500,000 was covered by Federal Deposit Insurance in four banks. The amount exposed to custodial risk was collateralized with securities held by the Consortium or its agency in the Consortium's name or pooled securities held by the bank.

Investments: As of June 30, 2013, the Consortium held no investments.

The Consortium does not have a deposit and investment policy.

NOTE 4 - RISK MANAGEMENT

The South Central Ohio 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 and dental insurance premiums, and their proportionate share of the administrative cost of the Consortium. Estimated claims as of June 30, 2013 are \$3,563,000. Funds available to pay claims as of that date are \$26,138,536. 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.

On November 1, 2005, the Consortium joined the Ohio Mid Eastern Regional Education Service Agency (OME-RESA) Health Benefits Program. Member fees continue to be paid to the Fiscal Agent and are then paid to OME-RESA.

**SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013**

NOTE 4 - RISK MANAGEMENT – (Continued)

On May 31, 2013, the Consortium left the OME-RESA program and no longer uses them to make claims payments. Claims are now paid directly by the Consortium upon approval of the claims of the third-party administrator, EBMC. The Consortium does still purchase stop loss coverage from OME-RESA as a contract service.

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

NOTE 5 - JOINTLY GOVERNED ORGANIZATIONS

The South Central Ohio Insurance Consortium (SCOIC) is a legally separate consortium. SCOIC 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 SCOIC. SCOIC does not have an ongoing financial interest in or financial responsibility for the member governments other than the claims paid on behalf of the member governments' employees.

SCOIC utilizes the Liberty Union-Thurston Local School District (the Fiscal Agent) as its fiscal agent. The financial activity for SCOIC is reflected in an agency fund on the Fiscal Agent's financial statements.

NOTE 6 - CASH POSITION OF MEMBER GOVERNMENTS

The Consortium's cash balance consists of cash balances that belong to member governments. The member government's share of the Consortium's cash balance at June 30, 2013 is as follows:

Member District	Amount
Amanda Clearcreek LSD	\$ 989,678
Berne Union LSD	483,201
Bloom Carroll LSD	1,669,418
Canal Winchester LSD	2,943,302
City of Lancaster	3,494,631
Fairfield County ESC	610,526
Fairfield Union LSD	2,369,970
Lancaster City Schools	5,568,391
Liberty-Union -Thurston LSD	1,372,208
Logan Hocking CSD	1,558,986
Miami Trace LSD	3,096,990
Zane Trace LSD	66,479
Washington Court House CSD	1,914,756
<i>Consortium Balance</i>	\$26,138,536

NOTE 7 - SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through December 27, 2013, the date on which the financial statements were available to be issued.

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES

In 2013, the Consortium adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 62, incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 identifies net positions, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance.



Certified Public Accountants

125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

Jeanette R. Addington, MBA, CPA, CGFM

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**INDEPENDENT AUDITORS' 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***

Board of Directors
South Central Ohio Insurance Consortium
Baltimore, Ohio

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 business-type activities of South Central Ohio Insurance Consortium, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Central Ohio Insurance Consortium's basic financial statements, and have issued our report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

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

much more than an accounting firm

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 South Central Ohio Insurance Consortium in a separate letter dated December 27, 2013.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "JC & Co." with a stylized flourish under the "J".

JC & Co.
December 27, 2013



Dave Yost • Auditor of State

SOUTH CENTRAL OHIO INSURANCE CONSORTIUM

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 25, 2014**