

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

***FINANCIAL STATEMENT
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JULY 31, 2009**

SHANE BAUMGARDNER, CHAIRPERSON



Mary Taylor, CPA

Auditor of State

Board of Directors
San-Ott Insurance Consortium
9451 E. Harbor Road
Lakeside-Marblehead, Ohio 43440

We have reviewed the *Independent Auditor's Report* of the San-Ott Insurance Consortium, Sandusky County, prepared by Julian & Grube, Inc., for the audit period August 1, 2008 through July 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2009

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Board of Directors
San-Ott Insurance Consortium
9451 E. Harbor Road
Lakeside-Marblehead, Ohio 43440

We have audited the accompanying financial statement of the San-Ott Insurance Consortium, Ottawa County, Ohio, as of and for the fiscal year ended July 31, 2009, as listed in the table of contents. This financial statement is the responsibility of the San-Ott Insurance Consortium's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 statement. 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 described more fully in Note 1, the San-Ott Insurance Consortium prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the San-Ott Insurance Consortium to reformat its financial statement presentation and make other changes effective for the fiscal year ended July 31, 2009. While the San-Ott Insurance Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statement. The San-Ott Insurance Consortium has elected not to reformat its statement. Since the San-Ott Insurance Consortium does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the fiscal year ended July 31, 2009, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the San-Ott Insurance Consortium, Ottawa County, Ohio, as of July 31, 2009, or its changes in financial position or cash flows of its proprietary fund type for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash fund balance of the San-Ott Insurance Consortium, Ottawa County, Ohio, as of and for the fiscal year ended July 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the San-Ott Insurance Consortium to include Management's Discussion and Analysis for the fiscal year ended July 31, 2009. The San-Ott Insurance Consortium has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

The San-Ott Insurance Consortium has not presented the required supplementary information on revenue and claims development that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, on our consideration of the San-Ott 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Julian & Grube, Inc.
November 20, 2009

SAN-OTT INSURANCE CONSORTIUM
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
FOR THE FISCAL YEAR ENDED JULY 31, 2009

OPERATING CASH RECEIPTS	
Member Contributions	\$ 11,651,641
Prescription Drug Rebates	<u>144,269</u>
Total Operating Cash Receipts	<u>11,795,910</u>
OPERATING CASH DISBURSEMENTS	
Claims Paid	10,839,164
Administrative Fees	541,776
Insurance Premiums	397,345
Professional Fees	103,194
Miscellaneous Fees	<u>411</u>
Total Operating Cash Disbursements	<u>11,881,890</u>
Excess of operating cash receipts over/(under) operating disbursements	<u>(85,980)</u>
NON-OPERATING CASH RECEIPTS	
Investment Income	84,152
Other Income	<u>66</u>
Total Non-Operating Receipts	<u>84,218</u>
Change in cash balance	(1,762)
CASH BALANCE AT BEGINNING OF YEAR	<u>5,009,024</u>
CASH BALANCE AT END OF YEAR	<u><u>\$ 5,007,262</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, 2009

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 includes the following nine entities: Benton-Carroll-Salem Schools, Clyde-Greensprings Schools, Danbury Local Schools, Genoa Are Local Schools, Gibsonburg Exempted Village Schools, Port Clinton City Schools, Put-in-Bay Schools, Vanguard-Sentinel Career 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 generally accepted accounting principles. 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 income.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Member and Supplemental Contributions

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses 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 expenses, 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 expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

NOTE 2 - EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash and investments at July 31, 2009 was as follows:

Demand Deposits	\$1,638,486
Certificates of Deposit	3,343,602
STAR Ohio	<u>25,174</u>
Total Deposits and Investments	<u>\$5,007,262</u>

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

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JULY 31, 2009

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

Deposits

At July 31, 2009, the carry amount of the Consortium's deposits was \$5,007,262 and the bank balance was \$5,007,262. 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.

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 expenses. A comparison of cash and investments, to the actuarially determined loss revenue (not statement) as of July 31, 2009 is as follows:

Cash and Investments	\$	5,007,262
Actuarial Loss Reserve		1,676,100



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**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
San-Ott Insurance Consortium
9451 E. Harbor Road
Lakeside-Marblehead, Ohio 43440

We have audited the financial statement of the San-Ott Insurance Consortium, Ottawa County, Ohio, as of and for the fiscal year ended July 31, 2009, and have issued our report thereon dated November 20, 2009, wherein we noted the San-Ott Insurance Consortium followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the *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 the San-Ott Insurance Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the San-Ott Insurance Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San-Ott Insurance Consortium'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 San-Ott Insurance Consortium's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the San-Ott Insurance Consortium's financial statement that is more than inconsequential will not be prevented or detected by the San-Ott Insurance Consortium'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 statement will not be prevented or detected by the San-Ott Insurance Consortium'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 over financial reporting 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.

Board of Directors
San-Ott Insurance Consortium

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San-Ott Insurance Consortium's financial statement is 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*.

This report is intended solely for the information of the Board of Directors and management of the San-Ott Insurance Consortium and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.
November 20, 2009



Mary Taylor, CPA
Auditor of State

SAN-OTT INSURANCE CONSORTIUM

SANDUSKY 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
JANUARY 5, 2010**