

NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL PROGRAM

FINANCIAL STATEMENTS

FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007





Mary Taylor, CPA  
Auditor of State

Governing Board  
Northwest Ohio Educational Council  
Self Insurance Pool Program  
2345 Detroit Avenue  
Maumee, Ohio 43537

We have reviewed the *Independent Auditors' Report* of the Northwest Ohio Educational Council Self Insurance Pool Program, Lucas County, prepared by Weber O'Brien Ltd., for the audit period August 1, 2006 through June 30, 2007. 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 Northwest Ohio Educational Council Self Insurance Pool Program is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 14, 2008

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NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL PROGRAM

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Governing Board  
Northwest Ohio Educational Council  
Self-Insurance Pool Program  
2345 Detroit Avenue  
Maumee, Ohio 43537

We have audited the accompanying statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows of Northwest Ohio Educational Council Self-Insurance Pool Program ("the SIPP"), as of and for the eleven month period ended June 30, 2007, which collectively comprise the SIPP's basic financial statements. These financial statements are the responsibility of the SIPP'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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SIPP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Ohio Educational Council Self-Insurance Pool Program as of June 30, 2007, and the changes in financial position and cash flows thereof for the eleven month period then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2008, on our consideration of Northwest Ohio Educational Council Self-Insurance Pool Program'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 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 supplementary information on pages 3 through 5 and page 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. 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.

A handwritten signature in cursive script that reads "William O'Brien Ltd".

April 2, 2008

**NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL COUNCIL**  
*Management Discussion and Analysis  
For the eleven month period ended June 30, 2007*

*Unaudited*

The discussion and analysis of Northwest Ohio Educational Self-Insurance Pool Program (“the SIPP”) financial performance provides an overall view of the SIPP’s financial activities for the eleven month period ended June 30, 2007. The intent of this discussion and analysis is to look at the SIPP’s financial performance as a whole; readers should also review financial statements and notes to the basic financial statements to enhance their understanding of the SIPP’s financial performance. Because the Governing Board changed the fiscal year-end from July 31<sup>st</sup> to June 30<sup>th</sup>, readers are advised that this fiscal year’s financial statements and tables are based on the eleven month period ending June 30, 2007 instead of a whole fiscal year.

**Financial Highlights**

The SIPP was established under the authority of the Ohio Revised Code §2744.081, which authorizes certain entities to join together in establishing and maintaining a joint self-insurance pool. The SIPP is a separate legal entity pursuant to the Ohio Revised Code §2744.081.

The parties have concluded that it is financially and administratively beneficial to form and maintain a joint self-insurance program and hereby organize this SIPP as an unincorporated non-profit association of members that acts solely to enable members of the SIPP to provide for a jointly administered program of self insurance. The intent of the SIPP is to establish similar or uniform insurance coverage and to achieve reduced costs of administration by providing similar services to all of the members, who are various school districts in Northwest Ohio.

The SIPP maintains a self-insurance fund and obtains automobile, casualty, property, employer liability, general liability, risk management, professional liability, group coverage and any protections for the members, as decided by the “Governing Board”, pursuant to an agreement. The SIPP administers, investigates, adjusts, and processes casualty, liability and other claims against members but does not itself offer, provide or guarantee coverage. This SIPP also carries out such claim, accident or premium reduction and educational programs as may be authorized by its Governing Board as defined in Article V, Section 5.1, or mandated by its risk manager, as provided in the Ohio Revised Code §2744.081(E)(2).

Total Assets were \$656,828.  
Total Liabilities were \$540,808.  
Total Net Assets were \$116,020.  
Total Change in Net Assets was \$5,827.  
Total Revenue was \$1,300,646.  
Total Expenses were \$1,294,819.

**Using this Annual Financial 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 the SIPP as a financial whole, an entire operating entity.

The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the whole SIPP, presenting an aggregate view of the SIPP’s finances. In case of the SIPP, there is only one fund presented.

***Reporting the SIPP as a Whole***

*Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets*

The view of the SIPP as a whole looks at all financial transactions and asks the question, “How did we do financially during 2007?” The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting*



**NORTHWEST OHIO EDUCATIONAL COUNCIL  
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*Management Discussion and Analysis*  
*For the eleven month period ended June 30, 2007*

*Unaudited*

similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the SIPP's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the SIPP as a whole, the *financial position* of the SIPP has improved or diminished. The causes of this may be the result of many factors, some financial, some not.

**The SIPP as a Whole**

Recall that the Statement of Net Assets provides the perspective of the SIPP as a whole.

Table 1 provides a summary of the SIPP's net assets for the eleven month period ending June 30, 2007. A comparison is made to fiscal year ending July 31, 2006.

Table 1  
Statement of Net Assets

|                     | 2007       | 2006       |
|---------------------|------------|------------|
| Assets:             |            |            |
| Current Assets      | \$ 656,828 | \$ 701,344 |
| Total Assets        | 656,828    | 701,344    |
| Liabilities:        |            |            |
| Current Liabilities | 540,808    | 591,151    |
| Total Liabilities   | 540,808    | 591,151    |
| Net Assets:         |            |            |
| Accumulated Surplus | \$ 116,020 | \$ 110,193 |

The SIPP's net assets increased by \$5,827. This is a reduction from the \$130,408 increase in net assets experienced in fiscal year 2006 and is attributed to higher losses and loss adjustments in the eleven month period on an average monthly basis, when compared to the prior year.

Table 2 shows the changes in net assets for the eleven month period ended June 30, 2007, compared to the fiscal year ended July 31, 2006.

Table 2  
Statement of Revenue, Expenses and Changes in Net Assets

|                             | 2007         | 2006         |
|-----------------------------|--------------|--------------|
| <i>Revenue:</i>             |              |              |
| Contributions from Members  | \$ 1,261,618 | \$ 1,492,946 |
| Interest Income             | 39,028       | 41,689       |
| Total Revenue               | 1,300,646    | 1,534,635    |
| <i>Expenses:</i>            |              |              |
| Premiums                    | 828,872      | 908,966      |
| Losses and Loss Adjustments | 370,048      | 373,885      |
| Professional Fees           | 68,126       | 78,021       |
| Administrative Charges      | 27,773       | 43,355       |
| Total Expenses              | 1,294,819    | 1,404,227    |
| Change in Net Assets        | \$ 5,827     | \$ 130,408   |

**NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL COUNCIL**  
*Management Discussion and Analysis  
For the eleven month period ended June 30, 2007*

*Unaudited*

The dependence upon school district contributions for operating activities is apparent. SIPP's contributions are presently 97.0 percent of total revenue.

**Contacting the SIPP's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the SIPP's finances and to show the SIPP's accountability for the money it receives. If you have questions about this report or need additional information contact: Paul Brotzki, Treasurer of Maumee City Schools, 2345 Detroit Avenue, Maumee, Ohio 43537 or e-mail at [ma\\_peg@nwoca.org](mailto:ma_peg@nwoca.org).

**Northwest Ohio Educational Council  
Self Insurance Pool Program**

Statement of Net Assets  
June 30, 2007

Assets:

Current Assets:

Cash and Cash Equivalents:

|                      |    |                |
|----------------------|----|----------------|
| With Fiscal Agent    | \$ | 631,828        |
| Held in Escrow       |    | 25,000         |
| Total Current Assets |    | <u>656,828</u> |

|              |  |                |
|--------------|--|----------------|
| Total Assets |  | <u>656,828</u> |
|--------------|--|----------------|

Liabilities:

Current Liabilities:

|                                     |  |                |
|-------------------------------------|--|----------------|
| Accounts Payable                    |  | 11,790         |
| Losses and Loss Adjustments Reserve |  | <u>529,018</u> |
| Total Current Liabilities           |  | <u>540,808</u> |

|                   |  |                |
|-------------------|--|----------------|
| Total Liabilities |  | <u>540,808</u> |
|-------------------|--|----------------|

Net Assets:

|                         |    |                       |
|-------------------------|----|-----------------------|
| Unrestricted Net Assets |    | <u>116,020</u>        |
| Total Net Assets        | \$ | <u><u>116,020</u></u> |

The accompanying notes are an integral part of these financial statements.

**Northwest Ohio Educational Council  
Self-Insurance Pool Program**

Statement of Revenues, Expenses and Changes in Net Assets  
For the Eleven Month Period Ended June 30, 2007

Operating Revenues:

|                            |                  |
|----------------------------|------------------|
| Contributions from Members | \$ 1,261,618     |
| Total Operating Revenues   | <u>1,261,618</u> |

Operating Expenses:

|                             |                  |
|-----------------------------|------------------|
| Premiums                    | 828,872          |
| Professional Fees           | 68,126           |
| Losses and Loss Adjustments | 370,048          |
| Administrative Fees         | 27,773           |
| Total Operating Expenses    | <u>1,294,819</u> |

|                |                 |
|----------------|-----------------|
| Operating Loss | <u>(33,201)</u> |
|----------------|-----------------|

Non-Operating Revenue:

|                             |               |
|-----------------------------|---------------|
| Interest Income             | 39,028        |
| Total Non-Operating Revenue | <u>39,028</u> |

|                      |       |
|----------------------|-------|
| Change in Net Assets | 5,827 |
|----------------------|-------|

|                                 |                   |
|---------------------------------|-------------------|
| Net Assets at Beginning of Year | 110,193           |
| Net Assets at End of Year       | <u>\$ 116,020</u> |

The accompanying notes are an integral part of these financial statements.

**Northwest Ohio Educational Council**  
**Self-Insurance Pool Program**

Statement of Cash Flows  
For the Eleven Month Period Ended June 30, 2007

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

|   |                 |
|---|-----------------|
| Cash Received from Contributions from Members | \$ 1,261,618    |
| Cash Paid for Premiums                        | (828,872)       |
| Cash Paid for Professional Fees               | (68,126)        |
| Cash Paid for Claims                          | (417,182)       |
| Cash Paid for Administrative Fees             | <u>(30,982)</u> |
| Net Cash Used in Operating Activities         | <u>(83,544)</u> |

**Cash Flows from Investing Activities:**

|   |               |
|---|---------------|
| Cash Received from Interest on Cash Equivalents | <u>39,028</u> |
| Net Cash Provided by Operating Activities       | <u>39,028</u> |

|   |                   |
|---|-------------------|
| Net Decrease in Cash and Cash Equivalents   | (44,516)          |
| Cash and Cash Equivalents Beginning of Year | <u>701,344</u>    |
| Cash and Cash Equivalents End of Year       | <u>\$ 656,828</u> |

The accompanying notes are an integral part of these financial statements.

**Northwest Ohio Educational Council  
Self-Insurance Pool Program**

Statement of Cash Flows  
For the Eleven Month Period Ended June 30, 2007

(Continued)

**Reconciliation of Operating Loss to Net Cash  
Used in Operating Activities**

|                                       |    |                        |
|---------------------------------------|----|------------------------|
| Operating Loss                        | \$ | (33,201)               |
| Adjustments:                          |    |                        |
| Increase (Decrease) in Liabilities:   |    |                        |
| Accounts Payable                      |    | (3,210)                |
| Losses and Loss Adjustment Reserve    |    | <u>(47,133)</u>        |
| Total Adjustments                     |    | <u>(50,343)</u>        |
| Net Cash Used in Operating Activities | \$ | <u><u>(83,544)</u></u> |

The accompanying notes are an integral part of these financial statements.

**NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL PROGRAM  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007**

**NOTE 1 -- DESCRIPTION OF THE ORGANIZATION AND REPORTING ENTITY**

The following descriptions provide only general information. Reference should be made to the Pool agreement for a more complete description.

The Northwest Ohio Educational Council (“the Council”) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in Northwest Ohio. The Council’s primary purpose is to formulate, develop, and administer, on behalf of member school districts, programs to obtain lower costs.

The Northwest Ohio Educational Council Self-Insurance Program (“the SIPP”) was established on January 1, 2004 and is an unincorporated nonprofit corporation established to provide property and casualty risk management services and risk sharing to its members. The SIPP was established as a local government risk pool pursuant to Ohio Revised Code Chapter 2744.08 and is not subject to federal tax filing requirements. It is a shared risk pool as defined by Government Accounting Standards Board No. 10 and 30.

The SIPP’s intent is to establish similar or uniform insurance coverage and to utilize this program to achieve reduced costs of administration by providing similar services to all of the members. The SIPP is to obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage, and any other protections for the members.

The SIPP operates under the direction of a five to nine member Governing Board. The Governing Board is responsible for carrying out the provisions of contracts on behalf of the SIPP, including but not limited to a contract with an Administrator as authorized by the Ohio Revised Code 2744.081 (A) 2. The Governing Board may establish and publish rules to be followed by the Administrator, marketing agent, other agents or committees in the conduct of its affairs. The Governing Board serves without compensation.

School districts joining the SIPP must agree to participate for a period of one fiscal year and sign an annual agreement not to withdraw until the beginning of the next fiscal year. A member, after that date, may terminate its participation in the program through its representative and a certified resolution of the representative’s governing authority. The resolution must be presented before June 15 in the fiscal year preceding the fiscal year in which the member will withdraw.

The SIPP consists of the following member school districts:

Ayersville Local School District  
Evergreen Local School District  
Genoa Local School District  
Holgate Local School District  
Lake Local School District  
Lucas County Educational Service Center  
Maumee City School District  
Millcreek-West Unity Local School District  
Montpelier Exempted Village School District  
Oregon City School District  
Paulding Exempted Village School District  
Pike-Delta-York Local Board of Education  
Riverdale Local School District  
Springfield Local School District  
Sylvania City School District  
Vanlue Local School District

The SIPP has an agreement with Marsh USA, Inc. to provide overall administration services for the program. The SIPP agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Fiscal Officer for the SIPP and that the fiscal year was from August 1<sup>st</sup> to June 30<sup>th</sup>, or an

**NORTHWEST OHIO EDUCATIONAL COUNCIL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007**

eleven month period. This was a change from last fiscal year that was from August 1<sup>st</sup> to July 31<sup>st</sup>. The Governing Board made this change so that the fiscal year would end with the fiscal year-ends of its members. Insurance coverage periods were adjusted to coincide with this new fiscal period in the current period and going forward.

The SIPP provides insurance coverage for the member school districts on a claims-made basis. The SIPP maintains annual insurance coverage through various carriers that limit aggregate claims. In the event the insurance carrier would be unable to pay their portion of losses, the participants of the SIPP would be liable. The SIPP reflects no unearned premium reserves as the coverage period are the same as the reported period. The following relate to specific insurance coverage provided for the member school districts:

| <u>Coverage</u>                | <u>Limit</u>                               | <u>Deductible</u>  |
|--------------------------------|--|--------------------|
| Property                       | \$151,000,000 (subject to schedule limits) | \$1,000            |
| Boiler and Machinery           | \$50,000,000                               | \$2,500            |
| Auto Liability/Physical Damage | \$1,000,000 Each Occurrence                | \$1,000 (Physical) |
| Per Person Medical             | \$5,000                                    |                    |
| General Liability              | \$1,000,000/\$3,000,000                    | Nil                |
| Educator's Legal Liability     | \$1,000,000 Aggregate/Each Occurrence      | \$5,000            |
| Umbrella Coverage              | \$10,000,000 Aggregate/Each Occurrence     | Nil                |
| Employee Benefit Liability     | \$1,000,000/\$3,000,000                    | Nil                |

Contributions to the SIPP are made by the member districts and are determined by the administrator based on general and specific allocations of costs incurred. All contribution rates are subject to the Governing Board's approval.

The SIPP uses excess insurance agreements to reduce its exposure to large losses on all types of insured events. Excess insurance permits recovery of a portion of losses on insured events. Excess insurance permits recovery of a portion of losses from reinsurers, although it does not discharge primary liability of the SIPP as direct insurer of the risks reinsured. The SIPP does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by excess insurance.

**Reporting Entity** A reporting entity is comprised of the primary government, and other organizations that are included to insure that the financials are not misleading. The primary government of the SIPP consists of all funds, departments, boards, and agencies that are not legally separate from the SIPP. For the SIPP, this includes business, administration, and fiscal services.

**NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of the SIPP have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The SIPP uses GASB statements 10, 29, 30, 34, 40 and GASB Interpretation No. 4. The SIPP also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The SIPP has elected not to apply FASB statements and interpretations issued after November 30, 1989. GASB pronouncements are applied after this date.

**B. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Financial statements are prepared using the accrual basis of accounting.



**NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL PROGRAM  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007**

**C. Member and Supplemental Contributions**

Member contributions are calculated annually to produce a sum of money within the self-insurance pool adequate to fund administrative expenses and to establish adequate 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 Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the SIPP and any later period when claims or expenses need to be paid which are attributable to any membership year during the event or claim occurred.

**D. Cash and Investments**

All monies received by the SIPP are accounted for by the SIPP's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in a fund at the Lucas County Educational Service Center in the SIPP's name. Monies for the SIPP are maintained in these accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of Lucas County Educational Service Center's external investment pool and investments with an original maturity of three months or less at the time they are purchased by the SIPP are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. The SIPP has no investments at this time.

**E. Administrative Expenses**

Administrative expenses reported on the Statement of Revenues, Expenses and Changes in Net Assets primarily consist of costs associated with the processing of claims payments and the purchase of loss control services.

**F. Losses and Loss Adjustments Reserve**

The liabilities for losses and loss adjustment expenses are based on information reported by members and are calculated by the SIPP's actuary. These amounts represent an estimate of reported claims, plus a provision for claims incurred and not reported. The liability is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. The SIPP's management believes that the liability is reasonable in the circumstances; however, actual incurred losses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses may vary materially from the estimated amounts disclosed. Should the provision for liability not be sufficient, supplemental contributions, as discussed above, will be assessed.

**G. Net Assets Surplus (Deficiency)**

A net asset deficiency is an estimate of the additional funds needed to meet the indicated reserves requirement for claims pending, claims incurred but not reported, and claims adjustment expenses. Conversely, a net asset surplus is the amount the cash reserve exceeds the reserve requirement. The estimated reserve determined by an actuarial study performed as of June 30, 2007 was \$529,018. The SIPP's cash reserve for claims was \$656,828 at June 30, 2007, making for a Loss Reserve Surplus which is shown as Net Assets. Management believes that the cash reserve for unpaid losses is adequate for current needs, and will study their subsequent actuary reports to determine if supplementary payments to increase the cash reserves are necessary.

**NORTHWEST OHIO EDUCATIONAL COUNCIL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007**

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 -- DEPOSITS AND INVESTMENTS**

At June 30, 2007, the carrying amount of SIPP's deposits was \$25,000 and the bank balance was \$16,592. All of the bank balance was covered by federal depository insurance. At June 30, 2007, \$631,828 is invested in its fiscal agent's, Lucas County Educational Service Center, cash and investment pool.

Custodial credit risk is the risk that in the event of failure of the custodial agent, SIPP will not be able to recover its deposits. SIPP's funds are considered part of an external investment pool managed by its fiscal agent. As such, specific identification of SIPP's funds cannot be made. Further, investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Lucas County Educational Service Center has deposited its pooled funds primarily in eligible financial institutions. A portion is invested in a sweep investment account and a repurchase agreement, as allowed by state statute. All deposits of the fiscal agent are covered by federal depository insurance or collateralized with securities in financial institution collateral pools, but not in the name of the SIPP. The sweep investment account and repurchase agreement of the fiscal agent are secured by possession of the related securities by the fiscal agent or a qualified trustee. The securities underlying the sweep investment account and repurchase agreement carry a rating of AAA by Moody's.

The investments of the SIPP are not regulated by the Ohio Revised Code due to its status as a nonprofit organization.

**NOTE 4 – FISCAL AGENT**

The SIPP agreement states the Board shall elect a Fiscal/Treasurer. The Fiscal Agent/Treasurer does not have to be a Board Member and shall serve a term of three (3) years and the number of terms may be unlimited.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the SIPP:

- Carry out the fiscal and financial business of the SIPP as directed by the Board, to perform all duties incident to the title of Treasurer as the Board designates;
- Assist the Board and the Administrator in preparing a proposed annual administrative budget;
- Shall provide regular reports as to the fiscal condition of the SIPP;
- Shall have custody of and be responsible for the SIPP fund and shall give and receive all receipts of money due and payable to the SIPP from any source whatsoever, deposit all money in the name of the SIPP, and invest and disburse funds as directed by the Board.

NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL PROGRAM  
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007

**NOTE 5 – LOSSES AND LOSS ADJUSTMENT RESERVE**

The SIPP obtained an actuarial report that reflects an estimate of loss and allocated loss adjustment expense reserves which include a liability for Incurred But Not Reported (IBNR) claims of this plan. The report is based upon an analysis of historic claims data and generally accepted actuarial principles.

|  |                   |
|--|-------------------|
| Losses and loss adjustment reserve at August 1, 2006                               | \$ 576,151        |
| Current period estimated liability and change to prior years' estimates            | 370,049           |
| Claims paid in the current period for current period and prior years:              |                   |
| Current eleven month period  | (53,779)          |
| Prior fiscal years   | <u>(363,403)</u>  |
| Total unpaid claims and claim adjustment expenses<br>at end of eleven month period | <u>\$ 529,018</u> |

**NOTE 6 – SUBSEQUENT EVENT**

Effective July 1, 2007, the former treasurer resigned and Paul Brotzki, Treasurer of the Maumee City School District, was named the new treasurer of the SIPP and, consequently, the fiscal agent was changed from Lucas County Educational Service Center to Maumee City Schools.

**NORTHWEST OHIO EDUCATIONAL COUNCIL  
SELF-INSURANCE POOL PROGRAM  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE ELEVEN MONTH PERIOD ENDED JUNE 30, 2007**

**Loss Development Information**

|   | Fiscal and Accident Year |              |              |               |
|---|--------------------------|--------------|--------------|---------------|
|   | Period 1/1/04            |              |              | Period 8/1/06 |
|   | To 7/31/04               | 7/31/2005    | 7/31/2006    | To 6/30/07    |
| Premiums and Investment Revenue   |                          |              |              |               |
| Earned  | \$ 784,553               | \$ 1,588,483 | \$ 1,534,635 | \$ 1,300,646  |
| Ceded   | -                        | -            | -            | -             |
| Net Earned  | 784,553                  | 1,588,483    | 1,534,635    | \$ 1,300,646  |
| Unallocated Expenses  | \$ 571,535               | \$ 1,172,794 | \$ 1,030,342 | \$ 924,771    |
| Estimated Losses and Expenses, end of accident year   |                          |              |              |               |
| Incurred  | \$ 195,129               | \$ 390,456   | \$ 441,796   | \$ 391,652    |
| Ceded   | -                        | -            | -            | -             |
| Net Incurred  | 195,129                  | 390,456      | 441,796      | 391,652       |
| Net paid cumulative as of:  |                          |              |              |               |
| End of Accident Year:   | \$ 110,906               | \$ 54,961    | \$ 173,405   | \$ 57,101     |
| One year later  | \$ 166,751               | \$ 208,150   | \$ 434,182   |               |
| Two years later   | \$ 194,322               | \$ 307,454   |              |               |
| Three years later   | \$ 194,322               |              |              |               |
| Reestimated ceded losses and expenses   | \$ -                     | \$ 646,000   | \$ -         | \$ -          |
| Reestimated net incurred losses and expenses:   |                          |              |              |               |
| End of Accident Year:   | \$ 183,299 *             | \$ 130,287 * | \$ 441,796   | \$ 391,652    |
| One year later  | \$ 189,892 *             | \$ 390,456   | \$ 441,796   |               |
| Two years later   | \$ 195,129 *             | \$ 390,456   |              |               |
| Three years later   | \$ 195,129               |              |              |               |
| Increase (decrease) in estimated net incurred losses and expenses from end of accident year | \$ 11,830                | \$ 260,169   | \$ -         | \$ -          |

\*No incurred claims and not reported (IBNR) because first actuarial report was as of July 31, 2006.



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

Governing Board  
Northwest Ohio Educational Council  
Self-Insurance Pool Program  
2345 Detroit Avenue  
Maumee, Ohio 43537

We have audited the financial statements, as listed in the table of contents, of the Northwest Ohio Educational Council Self-Insurance Pool Program ("the SIPP"), as of and for the eleven month period ended June 30, 2007, which collectively comprise the SIPP's basic financial statements and have issued our report thereon, dated April 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the SIPP'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 SIPP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SIPP'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 SIPP's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the SIPP's financial statements that is more than inconsequential will not be prevented or detected by the SIPP'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 SIPP's internal control.

Governing Board  
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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SIPP'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 a certain matter that we reported to the management of the SIPP in a separate letter dated April 2, 2008.

This report is intended solely for the information and use of the SIPP's Governing Board, management, and member governments 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 "Webber-O'Brien Ltd.".

April 2, 2008



**Mary Taylor, CPA**  
Auditor of State

**NORTHWEST OHIO EDUCATIONAL COUNCIL SELF INSURANCE POOL PROGRAM**

**LUCAS 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  
MAY 27, 2008**