

**Southwestern Ohio Educational Purchasing Council
Benefit Plan Trust, Self-Insured Medical Plan**

Montgomery County, Ohio

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

Board of Trustees
Southwestern Ohio Educational Purchasing Council
- Self-Insured Medical Insurance Plan Trust
303 Corporate Center Drive, Suite 208
Vandalia, Ohio 45377

We have reviewed the *Independent Auditors' Report* of the Southwestern Ohio Educational Purchasing Council - Self-Insured Medical Insurance Plan Trust, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southwestern Ohio Educational Purchasing Council - Self-Insured Medical Insurance Plan Trust is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 11, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Southwestern Ohio Educational Purchasing Council
- Self-Insured Medical Insurance Plan Trust
303 Corporate Center Drive, Suite 208
Vandalia, Ohio 45377

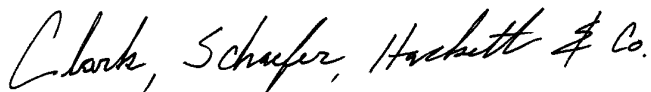
We have audited the accompanying financial statements of the Self-Insured Medical Insurance Plan (the Medical Trust) of the Southwestern Ohio Educational Purchasing Council as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Medical Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self-Insured Medical Insurance Plan of the Southwestern Ohio Educational Purchasing Council as of June 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009, on our consideration of the Medical Trust'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 on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

Management's Discussion and Analysis (pages 2 through 5) and the Schedule of Claims Development (page 14) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.



Springfield, Ohio
May 8, 2009

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**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Management's Discussion and Analysis
For the Year Ended June 30, 2008

The discussion and analysis of Southwestern Ohio Educational Purchasing Council's Benefit Plan Trust, Self-Insured Medical Insurance Benefit Plan, (the Medical Trust) financial performance provides an overall review of the financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. We encourage the reader to consider the information presented here in conjunction with the basic financial statements taken as a whole.

The Medical Trust:

The Medical Trust is a duly organized and existing Regional Council of Governments formed under the auspices of Chapter 167 of the Ohio Revised Code, which allows it to perform any function or duty performable by its member school districts. Since October 1, 2004, all benefits have been provided through separate risk sharing pools with separate providers. Community Insurance Company, dba Anthem, and United HealthCare Insurance Company provide third party administration services for their respective plan options.

Risk sharing pools, or self-insurance pools, pay claims submitted by covered employees from contributions collected and maintained by the Medical Trust, and therefore, the majority of the risk remains with the Medical Trust. For fiscal year 2008, two different plan options were available; Anthem and United HealthCare. Claims submitted under each option are processed by the respective insurance companies, who act as third party administrators (TPA), in accordance with benefits established by the Medical Trust. To help minimize the risk exposure of the Medical Trust, stop-loss insurance is purchased. For plan year ending 9/30/2007, the stop-loss limits were set at \$400,000 specific and 120 percent aggregate for United HealthCare and Anthem. The aggregate stop loss was dropped for the plan year ending 9/30/2008; specific stop loss remained at \$400,000. For fiscal year 2008, the Anthem option plan had thirty-three participating school districts with approximately 4,900 covered employees and the United HealthCare plan option had twenty-two participating school districts with approximately 4,700 covered employees.

Basic Financial Statements and Presentation:

The financial statements presented by the Medical Trust are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements are presented using the accrual basis of accounting. Revenues are recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. The Medical Trust is structured as one enterprise fund.

The Statement of Net Assets:

The Statement of Net Assets presents information on all of the Medical Trust's assets and liabilities. Assets consist mainly of cash and investments, as well as receivables for premiums due. Liabilities consist mainly of claims payable and unearned participant contributions.

Table 1 provides a summary of the Medical Trust's net assets for fiscal year 2008 compared with fiscal year 2007.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Management's Discussion and Analysis
For the Year Ended June 30, 2008

**TABLE 1
NET ASSETS**

	<u>2008</u>	<u>2007</u>
<u>Assets:</u>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 7,287,369	\$ 11,780,596
Receivables	<u>22,139</u>	<u>178,193</u>
<i>Total Current Assets</i>	7,309,508	11,958,789
<i>Noncurrent Assets:</i>		
Investments	<u>21,223,726</u>	<u>14,571,904</u>
Total Assets	<u>28,533,234</u>	<u>26,530,693</u>
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Claims payable	8,705,304	8,011,646
Unearned participants contributions	<u>2,766,554</u>	<u>2,654,778</u>
Total Liabilities	<u>11,471,858</u>	<u>10,666,424</u>
<u>Net Assets:</u>		
Unrestricted	<u>17,061,376</u>	<u>15,864,269</u>
Total Net Assets	<u>\$ 17,061,376</u>	<u>\$ 15,864,269</u>

The balance of cash and cash equivalent reported at June 30, 2008 was \$4,493,227 less than the amount reported at June 30, 2007. This decrease in cash was due to premium credits and rates reductions given to participating districts as well as moving additional cash to the investment account to earn a higher yield of return. After assessing the financial condition of the Medical Trust, the Board of Trustees made the determination to return some of the unrestricted net assets back to member districts through premium credits as well as rate reductions, as determined by the participating districts. The total returned to member districts during fiscal year 2008 associated with premium credits and rate reductions was \$2.2 million.

Total claims payable reported at the end of fiscal year 2008 increased by \$693,658 over those reported one year prior. The majority of this increase was associated with the estimated reserve for claims payable which is for unpaid claims, both reported and unprocessed as well as incurred but unreported, existing at the end of the fiscal year. The reserve for claims payable is established annually with the assistance of an outside actuary based on statistical models. The reserve for claims payable liability reported at June 30, 2008 increased by \$694,000 over the liability reported for the previous year due to anticipated claim volume. Processed claims payables represent claims which have been processed and paid by the TPA but have not been presented for payment as of June 30, 2008.

The Medical Trust's total net assets increased by \$1.2 million during fiscal year 2008 resulting in unrestricted net assets at June 30, 2008 being \$17,061,376.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Management's Discussion and Analysis
For the Year Ended June 30, 2008

The Statement of Revenues, Expenses and Changes in Net Assets:

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Medical Trust's net assets changed during the year. During 2008, the Medical Trust reported an increase in net assets of \$1.2 million or 7.5 percent of the total net assets reported for June 30, 2007. This increase resulted from claims and associated expenses being lower than the amount reported for member premiums and prescription rebates during the year. With the necessary reserve required, as determined by the actuary, included as a liability, the unrestricted net assets totaled \$17.1 million at year end or approximately 18.7 percent of the Medical Trust's operating expenses reported for fiscal year 2008. An increase in net assets should not be associated with "over-funding" as it is not unusual for a year with lower claims experience to be followed with one that has higher than expected claims. Establishing appropriate reserves to address these fluctuations in claims is a necessity of all risk sharing insurance pools.

The loss of one district from the Anthem plan, the return of accumulated resources, through premium credit and rate reduction, and the low premium rate increases (2.9 percent for Anthem and 0.0 percent for United HealthCare) account for the slight decrease in net member premiums reported for fiscal year 2008 compared with one year prior. The increase in net claims expense was the result of inflationary increases associated with health care costs as well as a slightly larger number of claims submitted in fiscal year 2008 compared with the prior year.

Table 2 shows the changes in net assets for the year ended June 30, 2008, as well as revenue and expense comparisons to fiscal year 2006.

**TABLE 2
CHANGES IN NET ASSETS**

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
Net member premiums	\$ 90,443,571	\$ 90,912,444
Prescription rebates	<u>994,918</u>	<u>983,922</u>
Total Operating Revenues	<u>91,438,489</u>	<u>91,896,366</u>
<u>Operating Expenses:</u>		
Net claims expense	86,422,271	79,436,643
Third party administrator expense	4,549,824	5,207,057
Administrative expense	<u>444,914</u>	<u>233,858</u>
Total Operating Expenses	<u>91,417,009</u>	<u>84,877,558</u>
Operating Income	<u>21,480</u>	<u>7,018,808</u>
<u>Non-Operating Revenues:</u>		
Interest earnings	<u>1,175,627</u>	<u>1,250,421</u>
Change in Net Assets	1,197,107	8,269,229
Net Assets at Beginning of Year	<u>15,864,269</u>	<u>7,595,040</u>
Net Assets at End of Year	<u>\$ 17,061,376</u>	<u>\$ 15,864,269</u>

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Management's Discussion and Analysis
For the Year Ended June 30, 2008

As shown in table 2, approximately 94.5 percent of the \$91.4 million in expenses reported by the Medical Trust for fiscal year 2008 were directly related to the settlement of claims submitted by covered employees. The claims expense reported for fiscal year 2008 was \$7.0 million more than that reported for the previous year, but less than the amount anticipated for the fiscal year. In addition, another 5.0 percent of the expenses were paid to the third party administrator of the self-insured plan to process and administer the submitted claims. Administrative expenses represent the remaining \$444,914 or 0.5 percent of the total expenses of the Medical Trust for the fiscal year. The increase in the administration expense in the current year was due the implementation of the Benelogic online enrollment system for all plans.

The Statement of Cash Flows:

The Statement of Cash Flows allows the reader of the financial statements to assess the Medical Trust's adequacy or ability to generate sufficient cash flow to meet its obligations in a timely manner. During fiscal year 2008 the cash and cash equivalents of the Medical Trust decreased by approximately \$4.5 million compared to the amount reported at June 30, 2007. While the operation of the Medical Trust generated a \$7.5 million surplus for the year, approximately \$6.7 million of these funds were invested in securities of federal agencies instead of keeping them as readily available cash and cash equivalents. The investment amount reported at June 30, 2008 was 45.7 percent more than the amount reported one year prior.

Contacting the Administration of the Medical Trust:

This financial report is designed to provide member school districts and other users with a general overview of the Medical Trust's finances and to show accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact Barbara Coriell, Administrator at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377 or by calling (937) 890-3725.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL BENEFIT
PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Statement of Net Assets

June 30, 2008

Assets

Current assets:

Cash and cash equivalents \$ 7,287,369

Receivables:

Member premiums 22,139

Total current assets 7,309,508

Noncurrent assets:

Investments 21,223,726

Total noncurrent assets 21,223,726

Total assets 28,533,234

Liabilities

Current liabilities:

Matured outstanding claims payable 442,304

Reserve for claims payable 8,263,000

Unearned participant contributions 2,766,554

Total liabilities 11,471,858

Net assets

Unrestricted 17,061,376

Total net assets \$ 17,061,376

See accompanying notes to the financial statements.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL BENEFIT
PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2008

Operating revenues:

Member Premiums:

Participant contributions \$ 91,703,512

Excess Insurance premiums (1,259,941)

Net premiums 90,443,571

Prescription rebates 994,918

Total operating revenues 91,438,489

Operating expenses:

Claims Expense:

Total claims incurred 86,851,233

Claims ceded to stop loss insurance (428,962)

Net claims incurred 86,422,271

Third party administrator expense 4,549,824

Administrative expense 444,914

Total operating expenses 91,417,009

Operating income 21,480

Non-operating revenues:

Interest earnings 1,175,627

Total non-operating revenues 1,175,627

Change in net assets 1,197,107

Net assets at beginning of year 15,864,269

Net assets at end of year \$ 17,061,376

See accompanying notes to the basic financial statements.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL BENEFIT
PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:

Cash received for premium contributions	\$	91,793,149
Cash received for prescription rebates		994,918
Cash payments for claim payments		(85,728,613)
Cash payments for excess insurance		(1,259,941)
Cash payments for claim administration		(4,549,824)
Cash payments for administration/office expenses		<u>(444,914)</u>

Net cash provided by operating activities		<u>804,775</u>
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Cash flows from investing activities:

Purchase of investments		(8,851,822)
Proceeds from sale of investments		2,200,000
Interest earnings		<u>1,353,820</u>

Net cash used by investing activities		<u>(5,298,002)</u>
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Net decrease in cash and cash equivalents		(4,493,227)
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Cash and cash equivalents, beginning of year		<u>11,780,596</u>
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Cash and cash equivalents, end of year	\$	<u><u>7,287,369</u></u>
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**Reconciliation of operating income to net cash provided
by operating activities**

Operating income	\$	21,480
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		

Changes in assets and liabilities:		
Increase in premium receivables		(22,139)
Decrease in matured outstanding claims payable		(342)
Increase in reserve for claims payable		694,000
Increase in unearned participant contributions		<u>111,776</u>

Total Adjustments		<u>783,295</u>
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Net cash provided by operating activities	\$	<u><u>804,775</u></u>
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See accompanying notes to the basic financial statements.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Notes to the Financial Statements
June 30, 2008

1. Description of the Plan:

The following description of the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust, Self-Insured Medical Insurance Benefit Plan (the Medical Trust) provides only general information. Participants should refer to the Medical Trust Agreement for a more complete description of the Trust's provisions. The Southwestern Ohio Educational Purchasing Council is a duly organized and existing Regional Council of Governments formed under the auspices of Chapter 167 of the Ohio Revised Code, which allows it to perform any function or duty performable by its member school districts.

General

The Medical Trust provided for group medical benefits for the employees of participating school districts, and to dependents and designated beneficiaries of such employees under two separate plan options: one administered by the Community Insurance Company (dba Anthem) and the other administered by United HealthCare Insurance Company. Both plan options are considered to be risk sharing (self-insurance) pools. Claims submitted by covered employees are processed by the third party administrators (TPA), currently United HealthCare and Anthem, in accordance with the benefits established by the member districts of the Medical Trust. Payments of these claims are settled by the contributions collected and maintained by the Medical Trust and, therefore, the majority of the claim risk remains with the Medical Trust.

The Medical Trust has purchased stop-loss insurance to help minimize its total risk exposure. During the plan year ending 9/30/2007 stop-loss insurance limits were set at \$400,000 specific and 120 percent aggregate claims expected for each of the plan options. For the plan year ending 9/30/2008 the aggregate stop loss insurance was eliminated but the specific stop loss remained at \$400,000. Each plan option has an effective policy year of October 1 through September 30 of the following calendar year.

As of June 30, 2008 the United HealthCare plan option had twenty-two participating school districts with approximately 4,900 covered employees. The Anthem plan option had thirty-three participating school districts with approximately 4,900 covered employees.

Benefits

The Medical Trust establishes and maintains the fund to provide health and life insurance and health care and other benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. Any amount of such benefits, as the Medical Trustees may determine, may be provided in whole or in part through one or more insurance policies. Benefit levels are determined by the participating school districts in consultation with the Medical Trust.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Notes to the Financial Statements

June 30, 2008

Contributions

Under the terms of the Medical Trust Agreement, participating school districts make monthly (or more frequent, if necessary) premium payments to fund claims, claim processing expenses, stop-loss insurance premiums, administrative costs, as well as sufficiently fund adequate reserves.

Participating school districts contribute an amount that is determined by the number of eligible employees and dependents for that month multiplied by funding amounts established by the Medical Trust at the October 1st renewal date. The funding amounts are based on claim experience, claims administration expenses, and needed reserve amounts. It has been the practice of the Medical Trust that every other year school districts are reassessed individually to ensure contributions are in line with average claim costs encountered over the previous two years. Historically, in the off year all participating school districts receive the same renewal percentage change.

2. Summary of Accounting Policies:

The following accounting principles and practices of the Medical Trust are set forth to facilitate the understanding of data presented in the financial statements.

Basis of accounting:

The Medical Trust follows the accrual basis of accounting as required by enterprise funds and is not legally required to adopt a budget. All transactions are accounted for in a single enterprise fund. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Medical Trust has elected not to apply the provisions for the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Association will continue to apply all applicable pronouncements issued by the GASB.

Cash and cash equivalents:

All deposits with financial institutions, and a State of Ohio depository institution, having an original maturity of 90 days or less are reported as cash and cash equivalents.

Investments:

Investments are carried at stated market value. Realized gains and losses are determined on the identified cost basis. Unrealized gains and (losses) are included as a component of investment earnings.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Notes to the Financial Statements

June 30, 2008

The investments of the Medical Trust follow the requirements of the Ohio Revised Code which permits investment in obligations of the United States Government, or other investments where the principal and interest are collateralized by the full faith and credit of the United States Government, bonds or other obligations issued by any federal agency or instrumentality, and bonds of the state of Ohio and its political subdivisions.

Claims Payable:

Provision for claims payable is based on information calculated by the TPA and the Medical Trust's actuary. This amount represents claims that have been processed but not yet presented for payment and an estimate of reported, unpaid claims, plus a provision for claims incurred but not reported. The Medical Trust believes this estimate of its liability for claims payable is reasonable and supported by valid actuarial calculations; however, actual incurred claim expense may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of claims may vary from the estimated amounts included in the accompanying financial statements.

Should the provisions for claims payable not be sufficient, the Medical Trust will utilize unrestricted net assets to cover the excess claims. Future member contributions will be adjusted at the next renewal date, if necessary, to ensure adequate reserve coverage is maintained.

Unearned participant contributions:

Unearned participant contributions represent contributions from member school districts received prior to the end of the fiscal year but are intended to fund required contributions for the subsequent fiscal year.

Net assets:

Net assets represent the difference between assets and liabilities. It is displayed in three separate components as follows:

Invested in capital assets, net of related debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN

Notes to the Financial Statements

June 30, 2008

As of June 30, 2008, the Medical Trust does not have any net assets meeting the definition of “invested in capital assets, net of related debt” or “restricted” net assets. As deemed appropriate by the Board of Trustees, the Medical Trust may distribute all or part of the unrestricted net assets to participating school districts during years when surplus funds are reported.

In the event of the termination of the Medical Trust, net assets will be used to settle all claims and other obligations incurred by the Medical Trust, as well as establishing an appropriate reserve to settle any future claims. Remaining net assets will be distributed based on the discretion of the Board of Trustees.

Classification of revenue:

The Medical Trust classifies its revenues as either operating or non-operating. Non-operating revenue is a result of the receipt of interest income. Contributions from participating school districts and prescription rebates are recognized on the accrual basis and are recorded as revenue in the period earned if determinable.

Tax status:

The Medical Trust is exempt from income taxes due to the fact that it is defined as a Council of Governments. According to the Internal Revenue Service filing requirements, due to its governmental status the plan is excluded from the Form 5500 filing requirements.

ERISA:

Due to the Plan being deemed a governmental plan by the Internal Revenue Service, it is not covered by the rules and regulations of ERISA, Title I.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Medical Trust’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposits and Investments:

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Medical Trust’s deposits may not be returned to it. Protection of the Medical Trust’s deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Notes to the Financial Statements

June 30, 2008

At year-end, the carrying amount of the Medical Trust's deposits was \$7,287,369 with the bank balance being the same amount. Of the bank balance, \$100,000 was covered by federal depository insurance and \$7,187,369 was subject to custodial credit risk as it was uninsured and collateralized with securities held by the pledging financial institution's agent, but not in the Medical Trust's name. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Medical Trust to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Investments are reported at fair value. As of June 30, 2008, the Medical Trust had the following investments:

Investment Type	Fair Value	Percent of Total Investments	Maturities (in Years)		
			Less than 1	1 to 3	4 to 5
FHLB	\$ 16,362,562	77.1%	\$ 1,196,000	\$ 7,777,508	\$ 7,389,054
FHLMC	1,889,523	8.9%	-	1,889,523	-
FNMA	2,971,641	14.0%	1,048,550	991,899	931,192
Total	\$ 21,223,726	100.0%	\$ 2,244,550	\$ 10,658,930	\$ 8,320,246

Custodial Credit Risk: All investments shall be issued in the name of the Medical Trust per Ohio law.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from erosion of market value or change in market conditions, the Medical Trust's investment policy requires investments to mature no later than five years from the settlement date or on the date the invested funds are expected to be disbursed in satisfaction of an obligation of the Medical Trust, whichever is earlier.

Credit Risk: The Medical Trust's investment policy permits investment in all vehicles permitted by State Law. At June 30, 2008 the Medical Trust's investment in U.S. agencies (FHLB, FHLM and FNMA) were all rated AAA by Standard & Poor's.

Concentration of Credit Risk: While no specific limit is placed on any one issuer, the investment policy of the Medical Trust requires the portfolio to be diversified in order to minimize potential losses with respect to individual securities.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
BENEFIT PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Notes to the Financial Statements

June 30, 2008

4. Reserve for Claims Payable:

As discussed in Note 2, the Medical Trust establishes a reserve for claims payable for its self-insured plan option which includes both reported but unprocessed claims and incurred but unreported reported claims. The changes in the reserve for claims payable for the last two fiscal years are as follows:

	June 30	
	2008	2007
Claims payable - beginning of year	\$ 8,011,646	\$ 7,173,110
Incurred claims and claim adjustments:		
Provision for insured events of the current year	86,422,271	79,436,643
Change in provision for insured events of prior year	-	-
Total incurred claims and claim adjustments	86,422,271	79,436,643
Payments:		
Claim payments attributable to claims of current year	79,225,716	73,170,994
Claim payments attributable to claims of prior years	6,502,897	5,427,113
Total payments	85,728,613	78,598,107
Claims payable - end of year	\$ 8,705,304	\$ 8,011,646
Amounts per Balance Sheet:		
Processed claims payable	\$ 442,304	\$ 442,646
Reserve for claims payable	8,263,000	7,569,000
Total claims payable - end of year	\$ 8,705,304	\$ 8,011,646

5. Subsequent Event:

In October 2008, the Trustees of the Southwestern Ohio Purchasing Council Benefit Plan adopted an amended Benefit Agreement which appointed the Executive Board of the Southwestern Ohio Purchasing Council and the Executive Director of the Council as Trustees for the Benefit Plan. As a result of this amended plan agreement, the financial activity of the Benefit Plan will be reported on the Council's financial statements beginning with fiscal year 2009.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL BENEFIT
PLAN TRUST, SELF-INSURED MEDICAL INSURANCE BENEFIT PLAN**

Schedule of Claims Development

For the Years Ended June 30, 2008, 2007, 2006, 2005 and 2004 (A)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 (B)</u>	<u>2004</u>
1. Required contribution, rebates and investment revenue:					
Contributions:					
Earned (paid contributions)	\$ 91,703,512	\$ 92,123,706	\$ 83,349,248	\$ 65,351,461	\$ 30,693,023
Ceded (excess insurance)	<u>(1,259,941)</u>	<u>(1,211,262)</u>	<u>(1,199,970)</u>	<u>(1,015,865)</u>	<u>(595,619)</u>
Net earned	90,443,571	90,912,444	82,149,278	64,335,596	30,097,404
Investment revenue	1,175,627	1,250,421	436,175	256,327	75,219
Prescription rebates	<u>994,918</u>	<u>983,922</u>	<u>715,423</u>	<u>-</u>	<u>-</u>
Total contribution, rebate and investment revenue	92,614,116	93,146,787	83,300,876	64,591,923	30,172,623
2. Unallocated expenses:	4,994,738	5,440,915	5,079,631	4,568,497	4,026,208
3. Estimated claims and expenses, end of fiscal year:					
Incurred	86,851,233	79,436,643	74,762,192	60,060,292	27,218,000
Ceded	<u>(428,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Incurred	86,422,271	79,436,643	74,762,192	60,060,292	27,218,000
4. Net paid claims as of:					
End of fiscal year	79,225,716	73,170,994	69,280,266	52,371,848	24,397,409
One year later		6,502,897	5,427,113	6,151,183	3,196,077
5. Re-estimated net incurred claims and expense, as of:					
End of fiscal year	86,422,271	79,436,643	74,762,192	60,060,292	27,218,000
One year later		79,673,891	74,707,379	58,523,031	27,593,486
6. Increase(decrease) in estimated incurred claims and expenses from end of policy year: (C)		-	-	-	-

Notes:

(A) Table only includes last five years as information from prior years was not practically available.

Information for additional years will continue to be added in future years.

(B) In October 2004, the insurance purchasing pool option was changed to a risk sharing pool. This increased both premiums and claims for fiscal year 2005. Fiscal year 2006 is the first year that both plan options were risk sharing pools for the entire period.

(C) Due to the nature of health claims, it is highly unlikely that any significant claim amount would remain unpaid at the end of the subsequent fiscal year. Therefore, there is no component included in the IBNR calculation for changes in prior years estimated claims and expenses.

**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 Trustees
Southwestern Ohio Educational Purchasing Council
- Self-Insured Medical Insurance Plan Trust
303 Corporate Center Drive, Suite 208
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the Self-Insured Medical Insurance Plan (the Medical Trust) of the Southwestern Ohio Educational Purchasing Council, as of and for the year ended June 30, 2008 and have issued our report thereon dated May 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Medical Trust'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 Medical Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Trust's internal control over financial reporting.

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Trust'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*.

This report is intended solely for the information and use of the Executive Committee, Board Committees, and the management of the Medical Trust and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 8, 2009



Mary Taylor, CPA
Auditor of State

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL-SELF INSURED MEDICAL
INSURANCE PLAN TRUST**

MONTGOMERY 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
JUNE 25, 2009**