

# **Southwestern Ohio Educational Purchasing Council**

Financial Statements – Cash Basis  
June 30, 2008 and 2007  
(with Independent Auditors' Report)





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Southwestern Ohio Educational Purchasing Council  
330 Corporate Center Drive, Suite 208  
Vandalia, Ohio 45377

We have reviewed the *Independent Auditors' Report* of the Southwestern Ohio Educational Purchasing Council, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 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.

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 Auditors' 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 Auditors' 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 Southwestern Ohio Educational Purchasing Council is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 8, 2009

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Southwestern Ohio Educational Purchasing Council  
330 Corporate Center Drive, Suite 208  
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the Southwestern Ohio Educational Purchasing Council (the Council) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Council'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 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 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.

As described more fully in Note 1, the Council has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Council 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 statements. The Council has elected not to reformat its statements. Since this Council 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 statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2008 and 2007, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund cash balances of the Council as of June 30, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council 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 no required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
May 8, 2009



**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Membership Fees	\$ 124,263
Charges for Services	450,986
Interest Earnings	49,757
Miscellaneous Receipts	58,077
Total Cash Receipts	683,083
<b>Cash Disbursements:</b>	
Current:	
General Government	656,296
Capital Outlay	5,577
Total Cash Disbursements	661,873
Net Receipts over Disbursements	21,210
Fund Cash Balances, July 1	409,351
<b>Fund Cash Balances, June 30</b>	<b>\$ 430,561</b>
Reserve for Encumbrances, June 30	\$ 24,613

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Enterprise Funds</b>
<b>Operating Cash Receipts:</b>	
Natural Gas Remittance	\$ 12,075,947
Insurance Premiums	2,174,599
Workers' Compensation Fees	222,360
Reimbursement of Claims	79,263
Charges for Services	22,915
Miscellaneous	2,076
Total Operating Cash Receipts	14,577,160
<b>Operating Cash Disbursements:</b>	
Natural Gas Contractual Payments	12,155,674
Reinsurance Premiums	1,149,880
Payment of Claims	452,849
Contractual Services	445,842
Premium Return to Participants	93,831
Miscellaneous	1,433
Total Operating Cash Disbursements	14,299,509
Operating Receipts over/(under) Operating Disbursements	277,651
<b>Non-Operating Cash Receipts:</b>	
Interest Earnings	98,628
Receipts over/(under) Disbursements	376,279
Fund Cash Balances, July 1	1,970,131
<b>Fund Cash Balances, June 30</b>	<b>\$ 2,346,410</b>
Reserve for Encumbrances, June 30	\$ 570,740

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Membership Fees	\$ 157,537
Charges for Services	540,935
Interest Earnings	41,888
Miscellaneous Receipts	41,500
Total Cash Receipts	781,860
<b>Cash Disbursements:</b>	
Current:	
General Government	662,822
Capital Outlay	6,440
Total Cash Disbursements	669,262
Net Receipts over Disbursements	112,598
Fund Cash Balances, July 1	296,753
<b>Fund Cash Balances, June 30</b>	<b>\$ 409,351</b>
Reserve for Encumbrances, June 30	\$ 28,531

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Enterprise Funds</b>
<b>Operating Cash Receipts:</b>	
Natural Gas Remittance	\$ 11,233,335
Insurance Premiums	1,825,981
Workers' Compensation Fees	204,200
Reimbursement of Claims	71,264
Charges for Services	10,460
Miscellaneous	5,038
Total Operating Cash Receipts	13,350,278
<b>Operating Cash Disbursements:</b>	
Natural Gas Contractual Payments	11,109,040
Reinsurance Premiums	1,328,715
Payment of Claims	755,121
Contractual Services	453,264
Miscellaneous	503
Total Operating Cash Disbursements	13,646,643
Operating Receipts over/(under) Operating Disbursements	(296,365)
<b>Non-Operating Cash Receipts:</b>	
Interest Earnings	100,337
Receipts over/(under) Disbursements	(196,028)
Fund Cash Balances, July 1 - Restated (see note 2)	2,166,159
<b>Fund Cash Balances, June 30</b>	<b>\$ 1,970,131</b>
Reserve for Encumbrances, June 30	\$ 2,026,341

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A. Description of the Entity

The Southwestern Ohio Educational Purchasing Council, Montgomery County (the Council), is a not-for-profit regional council of governments established under Chapter 167 of the Ohio Revised Code. The Council is directed by a member-elected eleven member Executive Board. The Council provides joint purchasing and other educational services for over 110 school districts in southwest Ohio by the cooperative action of the membership.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has assumed responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations for which the Council approves the budget, the levying of taxes or the issuance of debt.

The Council does not have any component units.

The Council is associated with the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. This organization is presented in Note 8 to the financial statements.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Council's accounting basis includes investments as assets which are reported on the accompanying statements as a component of cash balance of the respective funds. This basis does not report disbursements for investment purchases or receipts for investment sales. The Council reports gains or losses at the time of sale as receipts or disbursements, respectively.

During fiscal years 2008 and 2007, the Council's investments were limited to securities issued by the Federal National Mortgage Association, Federal Home Loan Bank, and a Money Market Fund. All securities are valued at cost.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 and 2007

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D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Enterprise Funds – These funds account for the financing of goods and services provided by the Council to member school districts with the intent of recovering the cost of the goods or services through the fees charged to the participating member districts. The following are the significant enterprise funds of the Council:

*Liability, Fleet, and Property Insurance Fund* – This fund accounts for the activity of the insurance pool (risk pool) offered by the Council. Premium rates are set by the Council and remitted on an annual basis by participating districts. The Council has contracted with Marsh USA to provide marketing, excess insurance placement, and support services for the Plan. See Note 6 for additional information on the Liability, Fleet, and Property insurance pool.

*Self Help Gas Fund* – This fund receives monies for utility services to the participating districts. Collections are then remitted to Energy USA on a monthly basis.

*Workers' Compensation Group Rating Fund* – This fund receives monies from participating districts for workers' compensation services provided by an outside consulting organization. Fees collected are remitted on a quarterly basis to consulting firm. The program has a shared savings component in which districts with penalty experience pay into a pool and those funds are redistributed to districts that have good experience.

E. Budgetary Process

Section 3 of the Council's Constitution and By-Laws require that the Council's Executive Board approve annual appropriations.

Appropriations – The Executive Committee annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources – Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1 of each year. Estimated resources are not required to be officially adopted by the Executive Board.

Encumbrances – The Council's Constitution and By-Laws require the Council to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over to the subsequent year.

The budgetary activity for fiscal years 2008 and 2007 is summarized in Note 4.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

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F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to receive cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**NOTE 2 – PRIOR PERIOD ADJUSTMENT:**

During fiscal year 2007, the Council revisited the nature and purpose of the funds reported previously as internal service funds and determined they would be more appropriately reported as enterprise funds. The reclassification of funds previously reported as internal service funds as enterprise funds had the following effect on the Fund Cash Balances reported for the Proprietary Fund Types at June 30, 2006:

	Enterprise Fund Type	Internal Service Fund Type
Fund Cash Balances as reported on June 30, 2006	\$ 1,812,080	\$ 354,079
Reclassification of the internal service funds as enterprise funds	354,079	(354,079)
Fund Cash Balances as restated for July 1, 2006	\$ 2,166,159	\$ -

**NOTE 3 – POOLED CASH AND INVESTMENTS:**

The Council maintains a cash and investment pool used by all funds. The Constitution and By-Laws prescribe allowable deposits and investments. Information regarding the Council's deposits and investments at June 30, 2008 and 2007 was as follows:

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Council's deposits may not be returned to it. Protection of the Council'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.

At June 30, 2008 and 2007 the carrying amount of the Council's deposits was \$792,887 and \$874,113, respectively. The Council had \$100,000 of FDIC coverage at June 30, 2008 and 2007 for its bank balance totals of \$810,339 and \$876,777 reported for those dates. The uninsured amounts (\$710,339 at June 30, 2008 and \$776,777 at June 30, 2007) was exposed to custodial credit risk as it was uninsured and collateralized with securities held by the pledging institution's trust department, but not in the name of the Council.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

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Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Council to a successful claim by the Federal Deposit Insurance Corporation.

Investments

As noted previously, investments are carried at cost by the Council. At June 30, 2008 and 2007 the fair market values for the investments were not significantly different from the carrying amount. The following is a summary of the Council's investments as of June 30, 2008 and 2007.

	Carrying Value	Maturities			% of Portfolio
		Less than One year	One Year to Three Years	Four Years to Five Years	
<u>At June 30, 2008</u>					
FHLB Bonds	\$570,000	\$ -	\$ 150,000	\$ 420,000	28.73%
FHLMC Bonds	300,005	-	-	300,005	15.12%
FNMA Notes	580,473	-	-	580,473	29.26%
Money Market Fund	<u>533,606</u>	<u>533,606</u>	<u>-</u>	<u>-</u>	<u>26.89%</u>
Total Investments	<u>\$ 1,984,084</u>	<u>\$ 533,606</u>	<u>\$ 150,000</u>	<u>\$ 1,300,478</u>	<u>100.00%</u>
<u>At June 30, 2007</u>					
FHLB Bonds	\$850,000	\$ 850,000	\$ -	\$ -	56.46%
FNMA Bonds	150,000	150,000	-	-	9.96%
Money Market Fund	<u>505,369</u>	<u>505,369</u>	<u>-</u>	<u>-</u>	<u>33.58%</u>
Total Investments	<u>\$ 1,505,369</u>	<u>\$ 1,505,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>100.00%</u>

*Custodial Credit Risk:* All investments shall be issued in the name of the Council per Ohio Law, which is the same as the policy of the Council.

*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 Council'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 Council, whichever is earlier.

*Credit Risk:* The Council's investment policy permits investment in all vehicles permitted by State Law. At the end of fiscal years 2008 and 2007 the Council's investments in Federal Agency Securities were all rated AAA and the Money Market Fund was rated AAAM by Standard and Poor's.

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



**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

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**NOTE 4 – BUDGETARY ACTIVITY:**

Budgetary activity for the years ending June 30, 2008 and 2007 is as follows:

*2008 Budgeted vs. Actual Receipts*

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 683,083	\$ 683,083
Enterprise	-	14,675,788	14,675,788
Total	<u>\$ -</u>	<u>\$ 15,358,871</u>	<u>\$ 15,358,871</u>

*2008 Budgeted vs. Actual Budgetary Basis Expenditures*

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 842,531	\$ 686,486	\$ 156,045
Enterprise	24,646,941	14,870,249	9,776,692
Total	<u>\$ 25,489,472</u>	<u>\$ 15,556,735</u>	<u>\$ 9,932,737</u>

*2007 Budgeted vs. Actual Receipts*

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 781,860	\$ 781,860
Enterprise	-	13,450,615	13,450,615
Total	<u>\$ -</u>	<u>\$ 14,232,475</u>	<u>\$ 14,232,475</u>

*2007 Budgeted vs. Actual Budgetary Basis Expenditures*

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 768,114	\$ 697,793	\$ 70,321
Enterprise	20,627,048	15,672,984	4,954,064
Total	<u>\$ 21,395,162</u>	<u>\$ 16,370,777</u>	<u>\$ 5,024,385</u>

**NOTE 5 – RETIREMENT SYSTEMS:**

The Council's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

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Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2008 and 2007, members of SERS contributed 10 percent of their gross salaries. The Council provided an amount equal to 14 percent of participants' gross salaries. However, as an employee benefit, the Council contributed the employees' required contribution of 10 percent in both fiscal years on a "pick-up on pick-up basis". This additional benefit resulted in the payment of 11 percent for employee share and 15.26 percent for the employer share for each year. The Council has paid all contributions required through June 30, 2008.

**NOTE 6 – LIABILITY, PROPERTY, AND FLEET INSURANCE POOL:**

In July 2003, the Council established the Liability, Fleet, and Property Insurance Program (the LFP Program) as authorized by Section 2744.081 of the Ohio Revised Code to provide property, general liability, school leader's errors and omissions, automobile, excess liability, crime, surety and bond, inland marine and other coverage to participating members. The LFP Program has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the coverage provided in excess of the member's deductible. There were 34 districts participating in the LFP Program in fiscal year 2008 and 33 in fiscal year 2007.

The LFP Program has chosen to adopt the forms and endorsements of conventional insurance coverage and to purchase specific and aggregate stop loss insurance in excess of a given retention to pay individual and collective losses. Therefore, the individual members are only responsible for their self-insured retention (deductible) amounts that may vary from member to member.

The LFP Program retains the first \$250,000 (\$100,000 for the year ended June 30, 2007) of each loss for general liability, automobile, crime and surety and property claims. Each participating district has a maintenance deductible of \$1,000 for property, automobile physical damage and crime claims. Stop loss insurance is purchased for the LFP Program and is fully funded by member contributions. The stop loss coverage for the years ended June 30, 2008 and 2007 was set at \$940,380 and \$780,000, respectively. Coverage for boiler and machinery, as well as school leaders errors and omissions, are purchased outside of the LFP Program retention program.

Excess insurance coverage provided by the LFP Program above the retention limit per loss (\$250,000 for fiscal year 2008 and \$100,000 for fiscal year 2007) are \$300 million for any one property loss, \$4 million in the aggregate for flood and earthquake losses, and \$5 million for any one occurrence and policy aggregate per member for liability losses. In the event the aggregate of all losses exceeds the stop loss calculation for the fiscal year, excess insurance is purchased to cover additional loss. Premiums of \$1,149,880 and \$1,328,715 were paid to excess insurers for the years ended June 30, 2008 and 2007, respectively.

The LFP Program annually establishes a liability for claims that are based on estimates of the ultimate cost of claims that have been reported but not settled ("case reserve") and of claims that have been incurred but not reported ("IBNR reserve"), net of estimated salvage and subrogation. The length of time for which such costs must be estimated varies depending on the coverage involved. The liabilities established for future claim payments were \$1,071,674 and \$695,118 at June 30, 2008 and 2007, respectively.

The LFP Program issues a separate stand-alone financial report annually which provides additional information on the Program. To obtain a copy of the report, write to Ken Swink, Director, at 303 Corporate Center Drive, Suite 208 Vandalia, Ohio 45377.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

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**NOTE 7 – RISK MANAGEMENT:**

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

Coverage amounts have not decreased nor have claims exceeded coverage limits in any of the past three fiscal years.

**NOTE 8 – RELATED ORGANIZATION:**

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (the Benefit Plan) is an insurance cooperative of member school districts covering a 12 county area. The purpose of the cooperative is to provide health care, dental, and vision coverage benefits to eligible employees, dependents and beneficiaries of the Benefit Plan and those Boards of Education who elect to participate in the Benefit Plan. The Benefit Plan is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code and its tax status is governmental.

The Benefit Plan is governed by an eleven member Board of Trustees which is elected by the member districts of the Benefit Plan. To obtain financial information, write to Barbara Coriell, who serves as the Benefit Plan Administrator, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**NOTE 9 – SUBSEQUENT EVENT:**

In October 2008, the Trustees of the Southwestern Ohio Purchasing Council Benefit Plan adopted an amended Benefit Plan Agreement which appointed the Executive Board of the Southwestern Ohio Purchasing Council and the Executive Director of the Council as the 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.

**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  
330 Corporate Center Drive, Suite 208  
Vandalia, Ohio 45377

We have audited the financial statements of the Southwestern Ohio Educational Purchasing Council (the Council), as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated May 8, 2009, wherein it was noted the Council prepared its financial statements using accounting practices the Auditor of State prescribes or permits, which is a basis other 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 *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 Council'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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of accounting described in Note 1 to the financial statements such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We consider the deficiency described in the accompanying schedule of findings as item 2008-001 to be a significant deficiency in internal control over financial reporting.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

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 Council's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2008-001, which is described above, to be a material weakness.

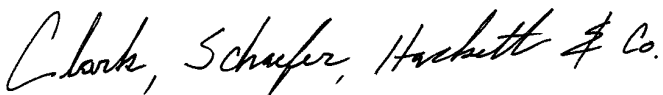
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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 certain matters that we reported to management of the Council in a separate letter dated May 8, 2009.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Executive Board, the management of the Council and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio  
May 8, 2009

**Finding Number 2008-001: Audit Adjustment/Posting of Interest Earnings**

During fiscal year 2008, the investment earnings from the Council's investment account was not properly posted to the accounting records. This resulted in the interest receipts and ending fund cash balances reported by the accounting system to be understated at year-end. Audit adjustments were proposed and posted to correct the interest receipts and ending fund cash balances reported in the accompanying financial statements.

The accuracy and presentation of the Council's financial statements is the responsibility of management, including the implementation of adequate control procedures to prevent and detect potential misstatements in the financial statement. The independent audit should not be considered part of the Council's internal control structure and should not be relied upon by management to detect misstatements. As such, if adjustments are necessary based on audit procedures performed, it is an indicator that the controls put in place by the Council over financial report are not working or were not properly designed.

All financial activity should be posted to the Council's accounting records and the monthly reconciliation process should recognize the interest and dividend income reported by the investment account.

**Management response:**

*We have been made aware of the issue and it will be corrected on the Council's accounting records. In addition, we will change the carrying value of the investments used in the monthly reconciliation to include the interest and dividend income reported for the month on the investment statement.*



**Mary Taylor, CPA**  
Auditor of State

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL**

**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 18, 2009**