Southwestern Ohio Educational Purchasing Council's Self-Insured Dental and Vision Plan Program

Montgomery County, Ohio

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost · Auditor of State

Board of Trustees
Southwestern Ohio Educational Purchasing
Council-Self-Insured Dental and Vision Plan Program
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 Dental and Vision Plan Program, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. 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 Dental and Vision Plan Program is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

February 7, 2011

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TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

Committee Members
Southwestern Ohio Educational Purchasing Council
- Self-Insured Dental and Vision Plan Program
303 Corporate Center Drive, Suite 208
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the Self-Insured Dental and Vision Plan Program (the Program) of the Southwestern Ohio Educational Purchasing Council as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Program'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.

As discussed in Note 2, the financial statements present only the Self-Insured Dental and Vision Plan Program and do not purport to, and do not, present fairly the financial position of the Southwestern Ohio Educational Purchasing Council as of June 30, 2010 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self-Insured Dental and Vision Plan Program of the Southwestern Ohio Educational Purchasing Council as of June 30, 2010, and the respective 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 December 22, 2010, on our consideration of the 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 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.

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The Management's Discussion and Analysis (pages 3 through 6) and the Schedule of Claims Development (page 16) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2010

The discussion and analysis of Southwestern Ohio Educational Purchasing Council's Self-Insured Dental and Vision Plan Program, (the Program) financial performance provides an overall review of the financial activities for the year ended June 30, 2010. 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 Program:

The Program is a function of the Southwestern Ohio Educational Purchasing Council (the Council), which 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. The financial activity of the Program is accounted for in a separate enterprise fund in the financial records of the Council.

The risk sharing pool, or self-insurance pool, pays the dental and vision claims submitted by covered individuals from contributions collected and maintained by the Program, and therefore, the risk remains with the Program. Claims for both types of insurance coverage are processed by a third party administrator (TPA), currently Delta Dental for dental coverage and Vision Service Plan for vision coverage, in accordance with benefits established by the member districts of the Program. Due to the relatively low individual benefits offered and the size of the pool, the Program does not have stop-loss insurance for either type of coverage. The renewal date for the dental and vision coverage is October 1 of each year.

As of June 30, 2010, the dental coverage had 43 participating school districts with approximately 8,070 covered employees while the vision coverage had 28 participating school districts with approximately 4,042 covered employees. Individual benefits offered to employees are determined by each of the participating school districts, most through collective bargaining processes with employee groups.

Basic Financial Statements and Presentation:

The financial statements presented by the Program 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 Program is structured with one enterprise fund.

Statement of Net Assets:

The Statement of Net Assets presents information on all of the Program's assets, liabilities and net assets. Assets consist mainly of cash and cash equivalents and investments. Liabilities consist mainly of reserves for claims payable and unearned participant contributions.

The cash and cash equivalents balance reported at June 30, 2010 was $53,197 lower than the amount reported one year prior, as operating expenses exceeded revenues during the year. Reductions in the rates earned by the Program's investment over the last few years due to the general economic conditions, has significantly reduced the interest recognized. The increase in current year claims and third party administer expenses reported for year out-paced the increase in participant contributions. In total, assets reported at year end were $46,786 lower than those reported one year before, a decrease of 2.6 percent.

Liabilities associated with claims payable represent 72 percent of the Program's total liabilities reported at June 30, 2010. Processed claims payables represent payments that have been approved and paid by the TPA but have not been presented to the Program for payment. Reserve for claims payable are liabilities carried for net unpaid claims, both reported and incurred but unreported existing at the end of the fiscal year. The reserve for claims payable is established annually by an outside actuary based on statistical models. The reserve for claims payable amount reported at June 30, 2010 decreased by $14,000 over the liability reported for the previous year. The decrease factors in the number of employees covered by the Program as well as the historical payment patterns experienced by the Program during the prior year.

The increase in the unearned participants contributions at June 30, 2010 compared with those at June 30, 2009 is simply a timing issue associated with the premium billings sent to participating school district and when the participating districts submitted payment for their July 2010 coverage. All unearned participant contributions were for July 2010 coverage and were recognized as revenue in that month.

Table 1 provides a summary of the Program's net assets for 2010 compared with 2009.

TABLE 1
NET ASSETS

	2010	2009
Assets:		
Current Assets:		
Cash and cash equivalents	$ 771,084	$ 824,281
Noncurrent Assets:		
Investments	949,169	942,758
Total Assets	1,720,253	1,767,039
Liabilities:		
Current Liabilities:		
Processed claims payable	53,925	53,512
Reserve for claims payable	455,000	469,000
Unearned participants contributions	200,608	145,586
Total Liabilities	709,533	668,098
Net Assets:		
Unrestricted	1,010,720	1,098,941
Total Net Assets	$ 1,010,720	$ 1,098,941

Statement of Revenues, Expenses and Changes in Net Assets:

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Program's net assets changed during the fiscal year. During fiscal 2010, the Program reported a decrease in net assets of $88,221 or 8.0 percent of the total net assets reported for June 30, 2009. With the necessary reserve, as determined by the actuary, included as a liability, the unrestricted net assets totaled $1,010,720 at year end or approximately 15.0 percent of Program's operating expenses reported for fiscal year 2010. A decrease in net assets should not be associated with "under-funding" as it is not unusual for a year with a high claims experience to be followed with years of lower claims. Establishing reserves is a necessity of all risk sharing insurance pools to address these fluctuations in claims.

Table 2 shows the changes in net assets for the year ended June 30, 2010, as well as revenue and expense comparisons to fiscal year 2009.

TABLE 2
CHANGES IN NET ASSETS

	2010	2009
Operating Revenues:		
Participants contributions	$ 6,652,419	$ 6,502,606
Participants contributions	875	-
Total Operating Revenues	6,653,294	6,502,606
Operating Expenses:		
Claims expense	6,319,830	6,201,324
Third party administrator expense	350,540	300,429
COBRA administrator expense	60,811	64,472
Other plan administrative expenses	17,396	10,724
Total Operating Expenses	6,748,577	6,576,949
Operating Income	(95,283)	(74,343)
Non-Operating Revenues:		
Interest and dividends	7,062	25,786
Change in Net Assets	(88,221)	(48,557)
Net Assets at Beginning of Year	1,098,941	1,147,498
Net Assets at End of Year	$ 1,010,720	$ 1,098,941

The $149,813 increase in participant contributions from those reported in the prior year can be attributed to the increase in number of employees paying contributions under the dental coverage. For the plan year beginning October 1, 2009, although the dental premium rates did not change, the visions premium rates increased by between 6.0 and 6.5%, depending upon the plan. Participant contributions associated with dental coverage account for approximately 89 percent of the total participant contribution while vision coverage accounts for the remaining 11 percent.

As shown in table 2, approximately 93.6 percent of the $6.7 million in expenses reported by the Program for fiscal year 2010 were directly related to the settlement of claims. In addition, another 5.2 percent of the expenses were paid to the third party administrators of the self-insured plans to process and administer the submitted claims. The COBRA administrator expense accounted for 0.9 percent of the operating expenses. The remaining $17,396 of administrative expenses represents only 0.3 percent of the total expenses of the Program for the fiscal year.

<u>Statement of Cash Flows:</u>

The Statement of Cash Flows allows the reader of the financial statements to assess the Program's adequacy or ability to generate sufficient cash flow to meet its obligations in a timely manner. During fiscal year 2010 the cash and cash equivalents of the Program decreased by $53,197 compared to the amount reported at June 30, 2009. The operating activities, self-insurance pool, had $53,848 more in cash outflows, used to pay and administer claims, than it had in premium contributions cash inflows. The investing activities of the Program provided $651 of interest earnings, lower than what was received in the prior year due to significant lower interest rates available on investments during fiscal year 2010. All the interest earnings were reinvested during the year.

<u>Contacting the Administration of the Program:</u>

This financial report is designed to provide member school districts and other users with a general overview of the Program'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, Benefits Administrator at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377 or by calling (937) 890-3725.

SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
SELF-INSURED DENTAL AND VISION PLAN PROGRAM
Statement of Net Assets
June 30, 2010

Assets	
Current assets:	
Cash and cash equivalents	$ 771,084
Total current assets	771,084
Noncurrent assets:	
Investments	949,169
Total noncurrent assets	949,169
Total assets	1,720,253
Liabilities	
Current liabilities:	
Matured outstanding claims payable	53,925
Reserve for claims payable	455,000
Unearned participant contributions	200,608
Total liabilities	709,533
Net assets	
Unrestricted	1,010,720
Total net assets	$ 1,010,720

See accompanying notes to the financial statements.

SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
SELF-INSURED DENTAL AND VISION PLAN PROGRAM
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

Operating revenues:		
Participants premiums	$	6,652,419
Miscellaneous operating revenue		875
Total operating revenues		6,653,294
Operating expenses:		
Claims expense		6,319,830
Third party administrator expense		350,540
COBRA Expense		60,811
Administrative expense		17,396
Total operating expenses		6,748,577
Operating loss		(95,283)
Non-operating revenues:		
Interest earnings		7,062
Total non-operating revenues		7,062
Change in net assets		(88,221)
Net assets at beginning of year		1,098,941
Net assets at end of year	$	1,010,720

See accompanying notes to the financial statements.

SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
SELF-INSURED DENTAL AND VISION PLAN PROGRAM
Statement of Cash Flows
Year Ended June 30, 2010

Cash flows from operating activities:		
Cash received for premium contributions	$	6,707,441
Cash received for other purposes		875
Cash payments for claim payments		(6,333,417)
Cash payments for claim administration		(350,540)
Cash payments for office expenses		(78,207)
Net cash used for operating activities		(53,848)
Cash flows from investing activities:		
Purchase of investments		(496,411)
Proceeds from sale of investments		490,000
Change in fair value of investments		(1,068)
Interest earnings		8,130
Net cash provided by investing activities		651
NET DECREASE IN CASH AND CASH EQUIVALENTS		(53,197)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		824,281
CASH AND CASH EQUIVALENTS, END OF YEAR	$	771,084
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	$	(95,283)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Changes in assets and liabilities:		
Increase in processed claims payable		413
Decrease in reserve for claims payable		(14,000)
Increase in unearned participant contributions		55,022
Total Adjustments		41,435
Net cash used for operating activities	$	(53,848)

See accompanying notes to the financial statements.

1. Description of the Program:

The Southwestern Ohio Educational Purchasing Council's Self-Insured Dental and Vision Plan Program (the Program) is a risk sharing pool managed and operated by the Southwestern Ohio Purchasing Council (the Council). The Program is accounted for as a separate enterprise fund within the Council's accounting records. 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 Program is a function of the Southwestern Ohio Educational Purchasing Council which provides dental and vision insurance coverage for employees of participating employers through a risk sharing (self-insurance) pool. Individual benefit coverage limits are set by negotiations between the Program and the participating school districts. With the relatively low individual benefit levels, the Program does not have stop-loss insurance coverage for its dental or vision plans. Through separate plans, the Program also provides medical insurance coverage options to participating school districts. The financial activity of the medical insurance plan is covered by a separate annual report.

The dental and vision risk sharing pool, or self-insurance pool, pays the dental and vision claims submitted by covered employees from contributions collected and maintained by the Program, and therefore, the risk remains with the Program. Claims for both types of insurance coverage are processed by a third party administrator (TPA), currently Delta Dental for dental coverage and Vision Service Plan for vision coverage, in accordance with benefits established by the Program.

As of June 30, 2010, the dental coverage was offered by 43 participating member school districts covering approximately 8,070 eligible employees and their dependents. Vision coverage was offered by 28 participating member school districts with 4,042 covered employees.

Benefits

The Program establishes and maintains the fund to provide dental and vision benefits to employees of participating districts, their dependents and designated beneficiaries and to set aside funds for such purposes. Benefit levels offered are set by negotiations between the Program and the participating member district and may vary from entity to entity.

Contributions

Under the terms of the Program, participating member school districts make monthly premium payments to fund claims, administrative costs, as well as sufficiently fund adequate reserves.

Participating member school districts contribute an amount that is determined by the number of eligible employees and dependents for that month multiplied by funding amounts established at the renewal date for each plan, which is October 1 for both plans. The funding amounts are based on claim experience, claims administration expenses, and needed reserve amounts. 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 have received the same renewal percentage change.

2. Summary of Accounting Policies:

The financial statements of the Program have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Program also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Program has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Program's accounting policies and practices are described below:

Basis of presentation:

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

The financial activity of the Program is accounted for within a single enterprise fund by the Council during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net asset, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement focus:

The Program is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Program are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flow provides information about how the Program finances and meets the cash flow needs of its enterprise activity.

Basis of accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Program's financial statements are prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are accounted for as earned and expenses as incurred.

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:

All investments are stated at fair value. Realized gains and losses are determined on the identified cost basis. Unrealized gains/(losses) are included in interest earnings.

The Council's investment policy authorizes the Program to invest in any investment meeting the requirements of the Ohio Revised Code. Permitted investments include 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 Program'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 Program 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 Program will utilize unrestricted net assets to cover the excess of claims. If necessary, future member contributions will be adjusted as part of the rate renewal process to ensure adequate reserve coverage is maintained.

Unearned participant contributions:

Unearned participant contributions represent contributions from participating 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".

As of June 30, 2010, the Program 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 Council, the Program 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 Program, net assets will be used to settle all claims and other obligations incurred by the Program, as well as establishing an appropriate reserve to settle any future claims. Any remaining net assets will be distributed based on the discretion of the Council.

Classification of revenue:

The Program 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 are recognized on the accrual basis and are recorded as revenue in the period earned.

Tax status:

The Program 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 Program is excluded from the Form 5500 filing requirements.

ERISA:

Due to the Program 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 Program'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 Program's deposits may not be returned to it. The Council does not have a custodial risk policy. At year-end, the carrying amount of the Program's deposits was $771,084 with a bank balance of $787,409.

Per Section 330.15 of the Federal Deposit Insurance Corporation (FDIC) regulations, all time and savings deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. Savings deposits include NOW accounts, money market deposit accounts and other interest-bearing checking accounts.

At year-end, the Southwestern Ohio Educational Purchasing Council had bank deposits totaling $7,340,316 including the Program's $787,409, of which $7,090,316 was subject to custodial credit risk as it was uninsured. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values equal to 105 percent or more of all public deposits to be secured by the collateral pool. Collateral is held by trustee including the Federal Reserve Bank and designated third parties of the financial institution. This pooled collateral covers the Council's uninsured and uncollateralized deposits.

Investments

Investments are reported at fair value. As of June 30, 2010, the Program had 100% of their investments in a money market with a fair value totaling $949,169.

Custodial Credit Risk: All investments shall be issued in the name of the Council 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 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 Program, whichever is earlier.

Credit Risk: The Council's investment policy permits investment in all vehicles permitted by State Law. At June 30, 2010 the Program's money market fund was rated AAAm by Standard & 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.

4. Reserve for Claims Payable:

As discussed in Note 2, the Program establishes a reserve for claims payable for its self-insured plan option which includes both reported 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	
	2010	2009
Claims payable - beginning of year	$ 522,512	$ 523,279
Incurred claims and claim adjustments:		
Provision for insured events of the current year	6,319,830	6,201,324
Change in provision for insured events of prior year	-	-
Total incurred claims and claim adjustments	6,319,830	6,201,324
Payments:		
Claim payments attributable to claims of current year	5,938,084	5,817,920
Claim payments attributable to claims of prior years	395,333	384,171
Total payments	6,333,417	6,202,091
Claims payable - end of year	$ 508,925	$ 522,512
Amounts per Balance Sheet:		
Processed claims payable	$ 53,925	$ 53,512
Reserve for claims payable	455,000	469,000
Total claims payable - end of year	$ 508,925	$ 522,512

SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
SELF-INSURED DENTAL AND VISION PLAN PROGRAM
Schedule of Claims Development
For the Years Ended June 30, 2010, 2009, 2008, 2007, 2006, 2005 and 2004 (A)

	2010	2009	2008	2007	2006	2005	2004
1. Required contribution and investment revenue:							
Contributions:							
Earned (paid contributions)	$ 6,675,194	$ 6,502,606	$ 6,596,879	$ 7,090,109	$ 6,803,423	$ 7,026,522	$ 6,681,880
Ceded (excess insurance) (B)	-	-	-	-	-	-	-
Net earned	6,675,194	6,502,606	6,596,879	7,090,109	6,803,423	7,026,522	6,681,880
Investment revenue	7,062	25,786	73,316	94,526	53,564	25,879	11,483
Total contribution and investment revenue	6,682,256	6,528,392	6,670,195	7,184,635	6,856,987	7,052,401	6,693,363
2. Unallocated expenses:	428,747	375,625	368,384	440,430	362,562	363,406	360,445
3. Estimated claims and expenses, end of fiscal year:							
Incurred	6,319,830	6,201,324	6,196,919	6,635,066	6,083,500	6,320,623	6,691,311
Ceded (B)	-	-	-	-	-	-	-
Net Incurred	6,319,830	6,201,324	6,196,919	6,635,066	6,083,500	6,320,623	6,691,311
4. Net paid claims as of:							
End of fiscal year	5,938,084	5,817,920	5,665,130	6,201,225	5,769,502	5,823,281	5,841,230
One year later		395,333	384,171	499,962	397,814	511,750	524,993
5. Re-estimated net incurred claims and expense, as of:							
End of fiscal year	6,319,830	6,201,324	6,196,919	6,635,066	6,083,500	6,320,623	6,691,311
One year later	-	6,213,253	6,049,301	6,701,187	6,167,316	6,335,031	6,366,223
6. Increase(decrease) in estimated incurred claims and expenses from end of policy year: (C)		-	-	-	-	-	-

Note:

(A) Table only includes last seven years as information from prior years was not practically available. Information for additional years will continue to be added in future years.

(B) Excess insurance is not purchased by the Program due to the level of benefits offered and the total maximum risk the plan is subjected to.

(C) Due to the nature of the 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 Dental and Vision Plan Program
303 Corporate Center Drive, Suite 208
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the Self-Insured Dental and Vision Plan Program (the Program) of the Southwestern Ohio Educational Purchasing Council, as of and for the year ended June 30, 2010 and have issued our report thereon dated December 22, 2010, wherein we noted the Program is an enterprise fund within the accounting records of the Southwestern Ohio Educational Purchasing Council. 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 Program'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 Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of audit findings as item 2010-001. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

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

We noted a certain matter that we reported to management of the Program in a separate letter dated December 29, 2010.

This report is intended solely for the information and use of the Committee Members, management of the Program, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 22, 2010

Finding Number 2010-001

The Program is a function of the Southwestern Ohio Educational Purchasing Council (SOEPC) and as such is accounted for as an enterprise fund within SOEPC's accounting system. The cash and investments of the Program are currently being maintained in separate bank and investment accounts from those of the other SOEPC functions. However, checks for Program expenses are written from SOEPC's general checking accounts and subsequent transfers from the Program's checking account to the general checking account to cover expenditures for which the checks are written. SOEPC performs a monthly cash reconciliation process which reconciles the combined cash balance of its fund to those reported in the month end bank and investment statements.

At June 30, 2010, the SOEPC was able to reconcile the combined cash balance of its funds as reported by its accounting system to the reported bank and investment at that date. However, the ending cash balance of the Program's fund could not be reconciled to the separate bank and investment accounts maintained for the Program. This indicates SOEPC is not properly transferring funds from the Program account to the general account when checks are written for Program expenses.

If SOEPC determines it is best to maintain separate checking accounts for different functions, each individual fund should be reconciled directly to its cash and investments statements monthly to ensure the integrity of the separate cash and investment accounts. Another manner to address this issue would be to consolidate all checking accounts into the general checking account and maintain the cash balance through the accounting system.

> <u>Management Response:</u> *The Council has been made aware of the situation noted above and will take the applicable steps to ensure the integrity of the individual bank and investment accounts associated with its programs.*

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Dave Yost • Auditor of State

SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL-DENTAL AND VISION

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
FEBRUARY 22, 2011

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