

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

Governing Board
Northwest Ohio Educational Council Self-Insurance Pool Program
716 Askin Street
Maumee, Ohio 43537

We have reviewed the *Independent Auditors'* Report of the Northwest Ohio Educational Council Self-Insurance Pool Program, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 17, 2012

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

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
Statement of Net Assets	6
Statement of Revenues, Expenses, and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements	9 - 14
Required Supplementary Information - Loss Development Information	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16 - 17

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INDEPENDENT AUDITORS' REPORT

Governing Board
Northwest Ohio Educational Council
Self-Insurance Pool Program
716 Askin Street
Maumee, Ohio 43537

We have audited the accompanying statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows of Northwest Ohio Educational Council Self-Insurance Pool Program (the "SIPP"), as of and for the year ended June 30, 2011, which collectively comprise the SIPP's basic financial statements. These financial statements are the responsibility of the SIPP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SIPP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Ohio Educational Council Self-Insurance Pool Program as of June 30, 2011, and the changes in its 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 February 16, 2012, on our consideration of Northwest Ohio Educational Council Self-Insurance Pool Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 5 and page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script, appearing to read "John O'Brien".

February 16, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Northwest Ohio Educational Council Self-Insurance Pool Program (the "SIPP") financial performance provides an overall review of the SIPP's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the SIPP's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the SIPP's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets were \$184,541 at June 30, 2011.
- The SIPP had operating revenues of \$992,363 and operating expenses of \$1,048,321 for fiscal year 2011. The SIPP had \$1,440 in net non-operating revenues. Operating loss and the change in net assets for the fiscal year was \$55,958 and \$54,518, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the SIPP's financial activities. The *statement of net assets* and *statement of revenues, expenses, and changes in net assets* provide information about the activities of the SIPP, including all short-term and long-term financial resources and obligations.

Reporting the SIPP Financial Activities

Statement of net assets, statement of revenues, expenses, and changes in net assets and the statement of cash flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of revenues, expenses, and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets and the statement of revenues, expenses and changes in net assets report the SIPP's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the SIPP as a whole, the *financial position* of the SIPP has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The SIPP's statement of net assets and statement of revenues, expenses, and changes in net assets can be found on pages 6-7 of this report.

The statement of cash flows provides information about how the SIPP finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9-14 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Required Supplementary Information

The loss development information can be found on page 15 of this report.

Net Assets and Changes in Net Assets

The table below provides a summary of the SIPP's net assets for 2011 and 2010.

	Net Assets	
	2011	2010
<u>Assets</u>		
Current assets	\$ 439,578	\$ 1,624,724
Total assets	439,578	1,624,724
<u>Liabilities:</u>		
Current liabilities	255,037	1,385,665
Total liabilities	255,037	1,385,665
<u>Net Assets:</u>		
Unrestricted	184,541	239,059
Total net assets	\$ 184,541	\$ 239,059

Net assets decreased by \$54,518 or 22.81% primarily due to operating expenses exceeding contributions from members in the current year.

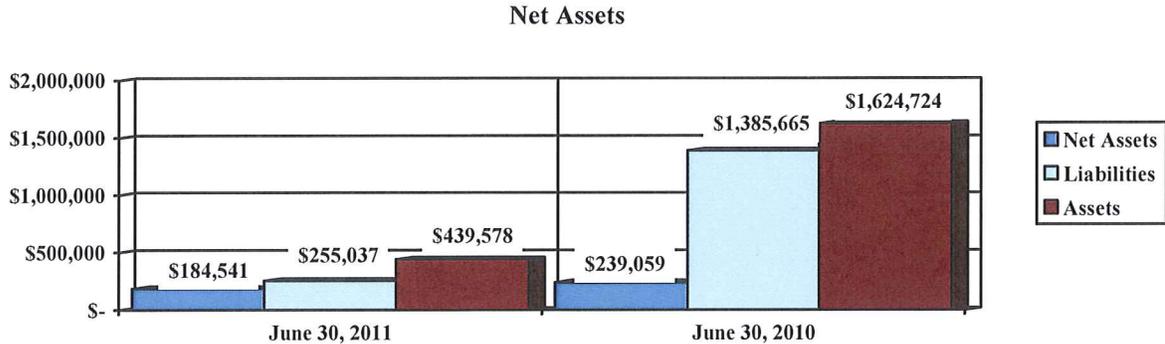
Total assets of the SIPP decreased \$1,185,146 or 72.95% primarily in the area of cash and investments. This was due to a re-insurance deposit of \$1,000,000 received from an insurance claim for tornado damage which was held by the SIPP at June 30, 2010 and then paid to Lake Local School District during fiscal year 2011.

Total liabilities of the SIPP decreased \$1,130,628 or 81.60% primarily due to the tornado claim liability at June 30, 2010 being paid during fiscal year 2011. The losses and loss adjustments reserve liability calculated by an independent actuary also decreased by \$142,676 over the prior year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The chart below shows a breakdown of the SIPP's assets, liabilities and net assets for 2011 versus 2010:



The table below shows the changes in net assets for fiscal year 2011 and 2010.

	2011	2010
<u>Revenues:</u>		
Contributions from members	\$ 992,363	\$ 979,289
Interest, unrealized gain and loss on redemption of investments	1,440	(427)
Other	-0-	9,812
Total revenue	993,803	988,674
<u>Expenses:</u>		
Premiums	668,047	610,033
Losses and loss adjustments	215,289	317,255
Professional fees	112,666	74,196
Administrative fees	47,650	29,000
Other	4,669	1,122
Total expenses	1,048,321	1,031,606
Change in net assets	\$ (54,518)	\$ (42,932)

The dependence upon school district contributions for operating activities is apparent. The SIPP's contributions are presently 99.86% of total revenue. Members' contributions to the SIPP increased by \$13,074 over the prior year.

Losses and loss adjustments decreased during fiscal year 2011 primarily due to the losses and loss adjustments reserve liability calculated by an independent actuary decreasing \$142,676 over the prior year.

The increase in premiums, professional fees and administrative fees are the primary reason for the decrease in net assets during fiscal year 2011. These expenses increased due to an increase in services provided by third parties and an increase in premiums due to a cost shift from self-funded dollars to straight premium dollars for a few of the insurance policies.

Contacting the SIPP's Financial Management

This financial report is designed to provide our member districts, potential member districts and investors and creditors with a general overview of the SIPP's finances and to show the SIPP's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Paul Brotzki, Treasurer, Maumee City School District, 716 Askin Street, Maumee, Ohio 43537 or e-mail at ma_peb@nwoca.org.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 284,163
Investments	130,015
Cash held in escrow	25,000
Receivables:	
Accrued interest.	400
	<hr/>
Total assets	439,578
	<hr/>
Liabilities:	
Current liabilities:	
Accounts payable.	12,048
Losses and loss adjustments reserve.	242,989
	<hr/>
Total liabilities	255,037
	<hr/>
Net assets:	
Unrestricted.	184,541
	<hr/>
Total net assets	\$ 184,541
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenues:	
Contributions from members	<u>\$ 992,363</u>
Total operating revenues	<u>992,363</u>
Operating expenses:	
Premiums	668,047
Losses and loss adjustments	215,289
Professional fees	112,666
Administrative fees	47,650
Other	<u>4,669</u>
Total operating expenses	<u>1,048,321</u>
Operating loss	<u>(55,958)</u>
Non-operating revenues (expenses):	
Interest revenue	2,494
Unrealized loss on investments	<u>(1,054)</u>
Total non-operating expenses	<u>1,440</u>
Change in net assets	(54,518)
Net assets at beginning of year	<u>239,059</u>
Net assets at end of year	<u><u>\$ 184,541</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from contributions from members.	\$ 992,363
Cash payments for premiums.	(668,047)
Cash payments for professional fees.	(112,193)
Cash payments for claims	(1,357,965)
Cash payments for administrative fees.	(36,350)
Cash payments for other expenses	(4,394)
	(1,186,586)
 Cash flows from investing activities:	
Redemption of security.	300,000
Interest received	451
	300,451
Net cash provided by investing activities	300,451
Net decrease in cash and cash equivalents	(886,135)
Cash and cash equivalents at beginning of year	1,195,298
Cash and cash equivalents at end of year	\$ 309,163
	309,163
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (55,958)
Changes in assets and liabilities:	
Increase in accounts payable.	12,048
(Decrease) in intergovernmental payable	(1,000,000)
(Decrease) in losses and loss adjustments reserve.	(142,676)
	(1,130,628)
Net cash used in operating activities	\$ (1,186,586)
	(1,186,586)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

The SIPP consists of the following member school districts:

- Ayersville Local School District
- Genoa Local School District
- Holgate Local School District
- Lake Local School District
- Lucas County Educational Service Center
- Maumee City School District
- Oregon City School District
- Paulding Exempted Village School District
- Pike-Delta-York Local Board of Education
- Springfield Local School District
- Sylvania City School District

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

The SIPP has an agreement with Arthur J. Gallagher Risk Management Services, Inc. to provide overall administration services for the program. The SIPP agreement states the Treasurer shall service as the Chief Fiscal Officer of the SIPP and the fiscal year is July 1st to June 30th.

The SIPP provides insurance coverage for the member school districts on a claims-made basis. The SIPP maintains annual insurance coverage through various carriers that limits aggregate claims. In the event the insurance carrier would be unable to pay their portion of losses, the participants of the SIPP would be liable.

The pool reflects no unearned premium reserves as the coverage period is the same as the reported period. The following relate to insurance coverage provided for the member school districts:

<u>Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$200,000,000 (subject to schedule limits)	\$1,000
Boiler and Machinery	\$50,000,000	\$3,500
Auto Liability	\$1,000,000 Each Occurrence	Nil
Per Person Medical	\$5,000	
Auto Physical Damange	Actual Cash Value	\$1,000
General Liability	\$1,000,000/\$3,000,000	Nil
School Board Legal		
(including employment practices)	\$1,000,000 Aggregate/Each Occurrence	\$5,000
Umbrella Coverage	\$5,000,000 Aggregate/Each Occurrence	Nil
Sexual Abuse	\$5,000,000 Aggregate/Each Occurrence	Nil
Pollution Legal Liability	\$1,000,000/\$10,000,000	\$25,000
Crime	\$500,000	\$1,000

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

The SIPP uses excess insurance agreements to reduce its exposure to large losses on all types of insured events. Excess insurance permits recovery of a portion of losses from reinsurers on insured events, although it does not discharge primary liability of the SIPP as direct insurer of the risks reinsured. The SIPP does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by excess insurance. The SIPP has a per occurrence retention of \$100,000 for all insured events incurred between July 1, 2009 and June 30, 2011; \$250,000 for all insured events incurred between July 1, 2007 and June 30, 2009; and \$100,000 for insured events that were incurred prior to July 1, 2007.

Reporting Entity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Basis of Accounting

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

C. Member and Supplemental Contributions

Member contributions are calculated annually to produce a sum of money within the self-insurance pool adequate to fund administrative expenses and to establish adequate reserves for claims and unallocated loss adjustment expenses.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Governing Board can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the SIPP and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

D. Cash and Investments

All monies received by the SIPP are accounted for by the SIPP's treasurer. All cash received by the treasurer is maintained in separate accounts in the SIPP's name. Monies for the SIPP are maintained in these accounts or temporarily used to purchase short-term investments.

All investments with an original maturity of three months or less at the time they are purchased by the SIPP are considered to be cash equivalents for the statement of cash flows. Investments are reported at fair value. All coupon-bearing instruments include the cost of accrued interest paid until such time as the first coupon comes due.

E. Administrative Expenses

Administrative expenses reported on the statement of revenues, expenses and changes in net assets primarily consist of costs associated with the processing of claims payments and the purchase of loss control services.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Loss and Loss Adjustments Reserve

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

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The SIPP had no restricted net assets at June 30, 2011.

H. Estimates

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

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2011, the carrying amount and bank balance of the SIPP's deposits was \$309,163. The SIPP maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2011, \$309,163 of the SIPP's depository balance was covered by the FDIC.

The investments of the SIPP are not regulated by the Ohio Revised Code due to its status as a nonprofit organization. However, the Governing Board has adopted an investment policy similar to the requirements of Ohio Revised Code Chapter 135. Management believes that the SIPP complied with that investment policy throughout fiscal year 2011.

As of June 30, 2011, the SIPP had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 months and over
Federal National Mortgage Association Bond	\$ 100,571	\$ -	\$ -	\$ -	\$ 100,571
U.S. Government money market	29,444	29,444	-	-	-
Total	<u>\$ 130,015</u>	<u>\$ 29,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,571</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 1.40 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the SIPP's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The SIPP's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The SIPP's investment policy does not specifically address credit risk beyond requiring the SIPP to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the SIPP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the SIPP's name. The SIPP has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The SIPP places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the SIPP at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal National Mortgage Association bond	\$ 100,571	77.35
U.S. Government money market	29,444	22.65
Total	<u>\$ 130,015</u>	<u>100.00</u>

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

Cash and investments per note

Carrying amount of deposits	\$ 309,163
Investments	<u>130,015</u>
Total	<u>\$ 439,178</u>

Cash and investments per statement of net assets

Cash and cash equivalents	\$ 284,163
Investments	130,015
Cash held in escrow	<u>25,000</u>
Total	<u>\$ 439,178</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - FISCAL AGENT

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

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

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

NOTE 5 - LOSSES AND LOSS ADJUSTMENT EXPENSES RESERVE

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

	Fiscal Year Ended June 30,	
	2011	2010
Total unpaid claims and claim adjustment expenses a beginning of fiscal year	\$ 385,665	\$ 457,543
Current year estimated liability and change to prior years' estimates:		
Current fiscal year	295,880	396,801
Prior fiscal years	(80,591)	(79,546)
Total losses and loss adjustments expense	215,289	317,255
Claims paid in the current year for current and prior years:		
Current fiscal year	(82,667)	(106,723)
Prior fiscal years	(275,298)	(282,410)
Total claims payments	(357,965)	(389,133)
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$ 242,989	\$ 385,665

NORTHWEST OHIO EDUCATIONAL COUNCIL SELF-INSURANCE POOL PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2011

LOSS DEVELOPMENT INFORMATION

	Fiscal and Accident Year							
	Period 1/1/04 to 7/31/04	7/31/2005	7/31/2006	Period 8/1/06 to 6/30/07	6/30/08	6/30/09	6/30/10	6/30/11
Premiums and investment revenue	\$ 784,553	\$ 1,588,483	\$ 1,534,635	\$ 1,300,646	\$ 1,262,500	\$ 874,020	\$ 989,101	\$ 993,803
Unallocated expenses	571,535	1,172,794	1,030,342	924,771	773,245	776,241	1,031,606	1,048,321
Estimated losses incurred and expense, end of year	183,299	130,287	441,796	391,652	461,173	470,182	396,801	295,880
Net paid, cumulative as of:								
End of accident year	110,906	54,961	173,405	57,101	92,556	112,141	106,723	82,667
One year later	166,751	208,150	434,182	193,030	169,787	405,402	367,359	-
Two years later	194,322	307,454	362,672	212,102	182,009	422,949	-	-
Three years later	194,322	322,946	471,336	217,538	182,009	-	-	-
Four years later	193,421	322,946	441,776	214,653	-	-	-	-
Five years later	193,763	322,946	441,776	-	-	-	-	-
Six years later	194,814	322,946	-	-	-	-	-	-
Seven years later	194,814	-	-	-	-	-	-	-
Reestimated ceded losses and expenses:	-	646,000	-	-	-	-	-	-
Reestimated net incurred losses and expense:								
End of accident year	* 183,299	130,287	441,796	391,652	461,173	470,182	396,801	295,880
One year later	* 189,892	390,456	441,796	353,841	219,450	470,182	396,801	-
Two years later	* 195,129	390,456	441,796	252,557	211,918	422,949	-	-
Three years later	195,129	351,608	441,796	218,102	182,009	-	-	-
Four years later	195,129	360,505	441,796	214,653	-	-	-	-
Five years later	195,129	322,946	441,796	-	-	-	-	-
Six years later	195,129	322,946	-	-	-	-	-	-
Seven years later	195,129	-	-	-	-	-	-	-
Increase (decrease) in estimated net incurred losses and expenses from end of accident year	11,830	192,659	-	(176,999)	(279,164)	(47,233)	-	-

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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board
Northwest Ohio Educational Council
Self-Insurance Pool Program
716 Askin Street
Maumee, Ohio 43537

We have audited the financial statements, as listed in the table of contents, of Northwest Ohio Educational Council Self-Insurance Pool Program (the "SIPP"), as of and for the year ended June 30, 2011, which collectively comprise the SIPP's basic financial statements, and have issued our report thereon dated February 16, 2012. 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 SIPP's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SIPP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SIPP's internal control over financial reporting.

A *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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SIPP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the SIPP's Governing Board, management, and member governments and is not intended to be and should not be used by anyone other than these specified parties.



February 16, 2012



Dave Yost • Auditor of State

NORTHWEST OHIO EDUCATIONAL COUNCIL SELF-INSURANCE POOL PROGRAM

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 1, 2012**