Ohio School Plan

Financial Report
with Supplemental Information
December 31, 2011

Dave Yost • Auditor of State

Board of Directors
Ohio School Plan
c/o Hylant Administrative Services
811 Madison Avenue
P.O. Box 2083
Toledo, Ohio 43624

We have reviewed the *Independent Auditor's Report* of the Ohio School Plan, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2011 through December 31, 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 Ohio School Plan is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

May 29, 2012

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Independent Auditor's Report

To the Board of Directors
Ohio School Plan

We have audited the statement of net assets of Ohio School Plan (the "Plan") as of December 31, 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2010 were audited by other auditors, whose report dated April 25, 2011 expressed an unqualified opinion on those statements prepared in conformity with 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 *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio School Plan at December 31, 2011 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of claims information for casualty and property lines of coverage, and the statement of reconciliation of net loss and loss adjustment expenses by type of contract, as identified in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

To the Board of Directors
Ohio School Plan

We have applied certain limited procedures to the required supplemental 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012 on our consideration of Ohio School Plan's internal control over financial reporting and on 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 opinions 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 read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

April 17, 2012

This section of Ohio School Plan's (the "Plan") annual financial report presents our discussion and analysis of the Plan's financial performance during the year ended December 31, 2011. Please read it in conjunction with the Plan's financial statements, which immediately follow this section.

Using this Annual Report

The Plan is an unincorporated nonprofit association that provides property and liability coverage to its participating members. Membership in the Plan includes public school districts, educational service centers, joint vocational schools, centers of government, boards of developmental disabilities, and community colleges in the state of Ohio. The Plan uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The basic financial statements, which follow this section, provide both long- and short-term information about the Plan's financial status. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Plan. These are followed by the statement of cash flows, which presents detailed information about the changes in the Plan's cash position during the year. These statements reflect only the risk carried by the Plan, which also includes any potential unrecoverable reinsurance claims.

Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting the Plan's assets, liabilities, and net assets and is categorized into current and noncurrent assets and liabilities.

- **Statement of Revenue, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and reinsurance costs. Nonoperating revenue and expenses consist primarily of investment activity and distributions to members.

- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

Condensed Financial Information

The financial statements report the Plan's net assets and how they have changed. Net assets - the difference between the Plan's assets and liabilities - are one way to measure the Plan's financial health or position. Over time, increases and decreases in the Plan's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information follows:

Condensed Statement of Net Assets	December 31 2011	2010	2009
Assets			
Cash and cash equivalents and investments	$ 3,293,219	$ 2,840,494	$ 2,578,412
Reinsurance receivable	930,499	988,834	1,013,160
Other assets	57,158	30,425	70,898
Total assets	4,280,876	3,859,753	3,662,470
Liabilities			
Current	1,458,016	1,220,658	1,284,402
Long term	354,404	512,263	445,512
Total liabilities	1,812,420	1,732,921	1,729,914
Net Assets - Unrestricted	**$ 2,468,456**	**$ 2,126,832**	**$ 1,932,556**

Condensed Statement of Changes in Net Assets	Year Ended December 31 2011	2010	2009
Changes in Net Assets			
Total operating income	$ 3,553,749	$ 3,182,722	$ 3,173,520
Operating expenses:			
Claims and claims adjustment expenses	1,097,770	1,104,871	842,476
Administrative expenses	2,130,255	1,898,243	1,808,421
Total operating expenses	3,228,025	3,003,114	2,650,897
Total nonoperating income	15,900	14,668	9,101
Change in Net Assets	**$ 341,624**	**$ 194,276**	**$ 531,724**

In addition to net assets, when assessing the overall health of the Plan, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by the Plan and its members.

The Plan cannot control the first two factors. However, since its inception, the Plan has been a leader in implementing aggressive risk-prevention programs. It provides extensive training to its members in various areas of school district operations.

Condensed Comparative Financial Highlights

- The Plan's total assets increased $421,123, or 11 percent, and $197,283, or 5 percent, in 2011 and 2010, respectively. The 2011 and 2010 increases are related to overall Plan operations.

- In 2011, premiums receivable increased $25,720, or 86 percent, due to the addition of two new members in December 2011. Conversely, premiums receivable decreased $40,131, or 57 percent, due to the lower premium levels in December 2010.

- The Plan's investment portfolio increased $157,021, or 11 percent, due to additional funds being invested during the year and the overall market performance in 2011.

- Reinsurance recoverable decreased $58,335, or 6 percent, due to recovery of losses from the Plan's property reinsurers. The change is relatively flat due to recoveries owed from reinsurers as a result of a fire loss incurred in the prior year.

- Unearned premiums and membership fees increased $62,735, or 7 percent, and $42,044, or 5 percent, in 2011 and 2010, respectively. This change is in line with the growth in premium which is a result of 29 new members in 2011.

- In 2011, loss reserves decreased $105,476, or 13 percent. Loss reserves related to the 2006 casualty paid loss ratio corridor have been reduced by $198,105, while reserves have been increased for the 2009 casualty corridor by $73,137; a reserve was established for the 2010 casualty corridor in the amount of $53,427. The remainder of the change is associated with the Plan's retained property losses.

- In 2011, reinsurance payable increased $78,513, or 97 percent, due to the level of new business written at the end of the year versus the prior year.

- The Plan's net assets increased $341,624, or 16 percent, and $194,276, or 10 percent, in 2011 and 2010, respectively, due to the Plan's operations.

- Written premiums increased $1,271,658, or 14 percent, and increased $331,936, or 4 percent, in 2011 and 2010, respectively. 2011 marked the Plan's most successful new business year taken in combination with high retention produced double-digit top line growth. The addition of community colleges to the Plan's membership helped drive the premium increase in 2010.

- Membership fee revenue increased $89,147, or 9 percent, in 2011, due to the increase in written premiums. As membership fees are built in to the premiums, these accounts move in tandem.

- Management fees and commission expense have increased on a percentage basis at the same rate as written premiums as these amounts are a function of written premiums.

- The Plan's operations provided cash of $437,838 in 2011 and provided cash of $247,071 in 2010 primarily related to the increase in new business.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments comprise the most significant numbers in the asset section of the Plan's statement of net assets.

Accordingly, the board of directors has established investment policies. The fundamental objectives are:

1. To preserve the capital in the investment portfolio

2. To remain sufficiently liquid to enable the Plan to meet its cash flow requirements

3. To attain a market rate of return on the investments consistent with the constraints imposed by the Plan's capital preservation objective and cash flow considerations

Investment guidelines for U.S. debt securities provide for investing in a broadly diversified portfolio of U.S. dollar denominated debt securities issued by the U.S. government, agencies, states, localities, and U.S. domiciled companies. All debt securities must be rated investment grade by a securities rating organization approved by the Securities and Exchange Commission. Money market mutual funds must have a quality rating of AAA or above.

Investment guidelines for cash and cash equivalents provide that managers using cash and cash equivalents in their portfolio are expected to adhere to the American Banking Association investment standards on security type, quality, and maturity for short-term investment funds (STIF), except for money market funds.

The Plan's investments are professionally managed and invested consistent with the safeguards and diversity which aim to, at a minimum, preserve overall portfolio principal. Investments are held in trust by US Bank. Robert W. Baird & Company, Inc. acts as the investment portfolio manager.

Reserves for Unpaid Claims

A significant liability in the Plan's statement of net assets is the reserves for reported and incurred but not reported claims and claim adjustment expenses. IRMS Actuarial Services conducts an independent actuarial analysis to determine the adequacy and reasonableness of such reserves.

Budgetary Highlights

Each year, the Plan adopts an annual operating budget for the current year. The budget is presented to the Plan's board of directors for final review and adoption. The Plan's administrator prepares the budget and reviews expenditures on a quarterly basis to assure compliance with the adopted budget.

	Year to Date Actual	Annual Budget	Budget vs. Actual
Operating Revenue			
Premiums written	$ 9,367,408	$ 8,138,937	$ 1,228,471
Change in unearned premium	(62,735)	-	(62,735)
Reinsurance premiums ceded	(6,398,083)	(5,513,656)	(884,427)
Net premiums written	2,906,590	2,625,281	281,309
Membership fees	647,159	560,975	86,184
Total operating revenue	3,553,749	3,186,256	367,493
Operating Expenses			
Losses and loss adjustment expenses	1,097,770	975,000	122,770
Management fees	1,409,960	1,220,840	189,120
Commission expense	469,987	406,947	63,040
Directors' travel and meetings	11,204	9,000	2,204
Plan marketing fees	158,000	160,000	(2,000)
Professional fees	53,623	60,200	(6,577)
Printing and supplies	560	4,000	(3,440)
Website development and maintenance	-	5,000	(5,000)
Bank charges and miscellaneous	2,030	3,000	(970)
D & O insurance	24,891	23,000	1,891
Total operating expenses	3,228,025	2,866,987	361,038
Nonoperating Income - Net investment income	15,900	13,500	2,400
Change in Net Assets	**$ 341,624**	**$ 332,769**	**$ 8,855**

The following is an explanation of the significant variances of the budget to actual for 2011.

- Premiums and membership fees exceeded budget due to the addition of 29 members during the year. As premiums have increased, cessions to the Plan's reinsurers increase correspondingly.

- Effective July 1, 2011, the Plan's property aggregate retention was increased to $1.5 million. Loss expenses were also incurred as the prior property treaty earned out during the current fiscal year.

- As management fees and commission expense are both on premium, their variance to budget is consistent with the variance generated with respect to the premiums.

Contacting the Plan's Administration

This report is designed to give an overview of the financial condition of Ohio School Plan. If there are additional questions or if you need additional information, please contact the Plan's administrator, Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43624.

Statement of Net Assets

	December 31 2011	December 31 2010
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 1,737,042	$ 1,401,338
Investments (Note 2)	1,556,177	1,439,156
Accrued interest on investments	1,502	489
Accounts receivable:		
Trade	55,656	29,936
Excess insurance	930,499	988,834
Total assets	**$ 4,280,876**	**$ 3,859,753**
Liabilities and Net Assets		
Current Liabilities		
Losses and loss adjustment expense reserves - Due in less than one year - Net of reinsurance recoveries (Note 3)	$ 340,286	$ 287,903
Unearned premiums and membership fees	906,552	843,817
Reinsurance payable (Note 4)	159,227	80,714
Accrued liabilities	51,951	8,224
Total current liabilities	1,458,016	1,220,658
Long-term Liabilities - Loss and loss adjustment expense reserves - Due in more than one year - Net of reinsurance recoveries (Note 3)	354,404	512,263
Total liabilities	1,812,420	1,732,921
Net Assets - Undesignated	2,468,456	2,126,832
Total liabilities and net assets	**$ 4,280,876**	**$ 3,859,753**

The Notes to Financial Statements are an Integral Part of this Statement.

Ohio School Plan

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2011	2010
Operating Revenue		
Premiums written	$ 9,367,408	$ 8,095,750
Reinsurance premiums ceded	(6,398,083)	(5,428,996)
Net premiums written	2,969,325	2,666,754
Change in unearned premiums	(62,735)	(42,044)
Net premiums earned	2,906,590	2,624,710
Membership fees earned	647,159	558,012
Total operating revenue	3,553,749	3,182,722
Operating Expenses		
Losses and loss adjustment expenses	1,097,770	1,104,872
Management fees	1,409,960	1,230,482
Commission expense	469,987	410,160
Professional fees	53,623	67,911
Plan marketing fees	158,000	150,759
Directors' and officers' coverage	24,891	24,891
Directors' travel and meetings	11,204	11,543
Other	2,590	2,497
Total operating expenses	3,228,025	3,003,115
Operating Income	325,724	179,607
Nonoperating Income - Net investment income	15,900	14,669
Change in Net Assets	341,624	194,276
Net Assets - Beginning of year	2,126,832	1,932,556
Net Assets - End of year	**$ 2,468,456**	**$ 2,126,832**

The Notes to Financial Statements are an Integral Part of this Statement.

Statement of Cash Flows

	Year Ended December 31	
	2011	2010
Cash Flows from Operating Activities		
Receipts from member premiums	$ 9,988,847	$ 8,693,892
Loss and loss adjustment expenses paid	(1,203,246)	(1,079,268)
Payments to reinsurers	(6,261,235)	(5,468,130)
Payments for expenses	(2,086,528)	(1,899,423)
Net cash provided by operating activities	437,838	247,071
Cash Flows from Investing Activities		
Interest and dividend income	14,887	15,010
Proceeds from sales of investments	3,842,509	8,044,596
Purchase of investments	(3,959,530)	(8,047,831)
Net cash (used in) provded by investing activities	(102,134)	11,775
Net Increase in Cash and Cash Equivalents	335,704	258,846
Cash and Cash Equivalents - Beginning of year	1,401,338	1,142,492
Cash and Cash Equivalents - End of year	**$ 1,737,042**	**$ 1,401,338**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 325,724	$ 179,607
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities which provided (used) cash:		
Reinsurance receivable	58,335	24,326
Accounts receivable	(25,720)	40,131
Loss and loss adjustment expense reserves	(105,476)	25,603
Reinsurance payable	78,513	(63,460)
Unearned premiums and membership fees	62,735	42,044
Accrued liabilities	43,727	(1,180)
Net cash provided by operating activities	**$ 437,838**	**$ 247,071**

There were no noncash transactions in 2011 or 2010.

Note 1 - Nature of Entity and Significant Accounting Policies

Ohio School Plan (the "Plan") was organized in January 2002, as authorized by Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated, nonprofit association of its members and an instrumentality for each member for the sole purpose of enabling members of the Plan to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs, and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan include public school districts, educational service centers, joint vocational schools, centers of government, boards of developmental disabilities, and community colleges in the state of Ohio which are eligible to participate under applicable statute, ruling, or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator. The Plan had 239 participating members as of December 31, 2011.

The Plan was established to provide property, liability, automobile, violence, and other coverages to its members sold through designated agents in the state of Ohio. Coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The Plan 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.

The Plan has developed the policy forms and endorsements of coverage and sustainability reinsured these coverages. The individual members are only responsible for their self-retention (deductible) amounts that vary from member to member. See Note 4 for further discussion.

Contributions from members are recognized as revenue in the year to which they apply. Member premiums are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Claim losses, along with reinsurance premiums, commissions, and administrative costs are recorded as expenses. The estimated total cost of loss and loss adjustment expenses is accrued based on the estimate of claims that will be ultimately filed for an insurance period. The Plan shall cease activities upon a 3/4 vote of the board to such effect. Any assets or property of the Plan remaining after the Plan is completed shall be distributed as determined by the board to and among the current members at the date of termination.

The accompanying financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

The Plan follows governmental accounting standards applicable to business-type activities. Statements and interpretations of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Plan has elected not to apply the statements or interpretations of the FASB that are issued after November 30, 1989 to its business-type activities.

The Plan distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Plan's principal ongoing operations. The principal operating revenue relates to members' contributions. Operating expenses include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. Net investment earnings are reported as nonoperating income.

The members are charged an annual membership fee, which is based on a percentage of each member's annual premium and earned on a pro rata basis over the life of the policy. These fees are charged to cover professional fees, directors' travel and meeting expenses, and other administrative and marketing expenses. Earned membership fees were $647,159 and $558,012 for the years ended December 31, 2011 and 2010, respectively.

The Plan has an agreement with Hylant Administrative Services, LLC (HAS) to provide underwriting, claim management, risk management, accounting, system support services, sales, and marketing for the Plan. All of these services are paid for by the Plan. HAS also coordinates reinsurance brokerage services for the Plan.

The Plan is comprised exclusively of Ohio public educational entities and boards of developmentally disabled. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of substantially reinsuring coverage provided.

Cash and Cash Equivalents - Cash and cash equivalents include cash, money market accounts, and all liquid securities with maturities of 90 days or less when purchased.

Investments - Investments consist of U.S. government agency bonds which are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net assets.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Accounts Receivable - Receivables from members are stated at net invoice amounts. Receivables from reinsurers and for deductibles are computed based on the applicable treaty. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. Management has determined all amounts are collectible and no allowance for doubtful accounts is required.

Policy Acquisition Costs - The Plan does not defer agent commissions and certain other administration and underwriting expenses as ceding commissions received from the reinsurers have offset these costs. The net difference between the administration expenses and the ceding commissions does not vary with the individual issuance and maintenance of the contracts of insurance. Therefore, such costs are expensed as incurred. Agent commissions are 5 to 10 percent of gross premiums written, amounting to $469,987 and $410,160 for the years ended December 31, 2011 and 2010, respectively.

Losses and Loss Adjustment Expense Reserves - Losses and loss adjustment expense reserves represent the estimated liability for unpaid claims and related claims expenses from reported claims and claims incurred but not reported, net of salvage and subrogation. The length of time for which such costs must be estimated varies depending on the coverage. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims is implicit in the calculation as reliance is placed both on actual and industry data that reflects past inflation and on other factors that are considered appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. The Plan retains a qualified, independent actuary to perform an annual actuarial review of the risk retained by the Plan. It is at least reasonably possible that a material change in the estimate will occur within the near term; thus, the actual claims paid may be substantially different than these estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Unearned Premiums - Unearned premiums represent the portion of net premiums written by the Plan related to the unexpired risk period of underlying policies. Net premiums are earned on a pro rata basis over the term of the related policies.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Ceding Commissions - Ceding commissions total $1,879,947 and $1,640,642 for 2011 and 2010, respectively, and are computed at 20 percent of gross premiums written. Fees for all administrative, management, and brokerage-related services provided to the Plan are incurred at a cost of 10 to 15 percent of gross premiums written. Management fees totaled $1,409,960 and $1,230,481 for the years ended December 31, 2011 and 2010, respectively.

Risk Management - The Plan is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Plan has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Federal Income Tax Status - The Plan is a qualified investment plan under the applicable sections of the Internal Revenue Code. The Plan is required to file a federal income tax return; however, the income of the Plan is exempt under Section 115 of the Internal Revenue Code.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates related to loss and loss adjustment expense reserves are described in Note 3.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications had no impact on the change in net assets.

Note 2 - Deposits and Investments

The Plan has established an investment policy. The purpose of this policy is to ensure that Plan funds are invested in a manner that will provide the highest investment return with the maximum security, safety, and liquidity to meet all necessary cash needs. The Plan is permitted to invest in United States Treasury bills, notes, bonds, or any other obligations or securities issued by the United States Treasury or any other obligations guaranteed as principal and interest by the United States, bonds or other obligations of the State of Ohio, including the Ohio subdivision's fund, STAROhio, commercial paper notes issued by an entity that has assets exceeding $500 million (limited to 25 percent of the total investment portfolio available for investment and written repurchase agreements with eligible financial institutions).

Note 2 - Deposits and Investments (Continued)

The Plan's investments are held in the Plan's name. The Plan has designated US Bank for the deposit of its cash and investments.

The Plan's cash and investments are subject to several types of risk, which are examined in more detail below:

Deposits

Cash and cash equivalents include an operating checking account, a short-term money market fund, and a security with a maturity of 90 days or less when purchased. Cash and cash equivalents totaled $1,737,042 and $1,401,338 at December 31, 2011 and 2010, respectively.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan does not have a formal deposit policy for custodial credit risk of bank deposits. The Plan believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Plan evaluates each financial institution with which it deposits the Plan's assets and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. In October 2008, the FDIC implemented the "Transaction Account Guarantee Program," fully guaranteeing noninterest- and some interest-bearing checking account balances through December 31, 2009, regardless of the amount in the account. Effective December 31, 2010 through December 31, 2012, the FDIC implemented the "Dodd-Frank Act", which altered the FDIC coverage to fully guarantee all noninterest-bearing transaction accounts but restricted the guarantee to a maximum of $250,000 on accounts bearing nominal interest rates. At December 31, 2011 and 2010, the Plan had bank deposits of $1,554,756 and $1,219,679, respectively, that were uninsured and uncollateralized.

Investments - The Plan's investments consist of U.S. government agency bonds. The fair values of the Plan's investments were $1,556,177 and $1,439,156 as of December 31, 2011 and 2010, respectively.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the custodian, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2011 and 2010, all of the Plan's investments were held by the investment's counterparty.

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy requires any investment to mature within five years from the date of settlement as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, the Plan had the following investments subject to interest rate risk:

	2011		2010	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
U.S. government agency bonds	$ 1,556,177	1.32	$ 1,439,156	1.26

Credit Risk - The Plan's investments consist of U.S. government agency bonds that have a credit quality rating of AAA as of December 31, 2011 and 2010. The rating organization used by the Plan to rate its investments is Standard & Poor's.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan's investment policy does not place a limit on the amount it may invest in any single issuer. There are no investments that individually exceed 5 percent of the Plan's total investments for 2011 and 2010.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in a currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Plan's investment policy does not address foreign currency risk. The Plan has no investments subject to foreign currency risk.

Note 3 - Losses and Loss Adjustment Expense Reserves

The Plan establishes reserves for unpaid losses and loss adjustment expenses for both reported and unreported insured events. A summary of changes in the loss and loss adjustment expense reserves for the Plan for the years ended December 31, 2011, 2010, and 2009 is as follows:

	2011	2010	2009
Unpaid claims and claims adjustment expenses - Beginning of fiscal year	$ 800,166	$ 774,563	$ 502,232
Incurred claims and claims adjustment expenses:			
Provision for insured events of the current fiscal year	673,859	700,638	622,372
Change in provision for insured events of prior fiscal years	423,911	404,233	220,104
Total incurred claims and claims adjustment expenses	1,097,770	1,104,871	842,476
Payments:			
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	395,878	392,638	341,532
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	807,368	686,630	228,613
Total payments	1,203,246	1,079,268	570,145
Unpaid claims and claims adjustment expenses - End of fiscal year	$ 694,690	$ 800,166	$ 774,563

During 2011 and 2010, there were developments in incurred loss and loss adjustment expense due to prior year incurred amounts that related to the run-out of underlying property policies.

Note 4 - Reinsurance Coverage

With the exception of the Plan's property reinsurance treaty and the paid loss corridor deductible, the Plan fully reinsures its coverage with various reinsurance companies. Effective November 1, 2004, casualty and auto liability coverages were reinsured up to a limit of $5,000,000 per occurrence, per member. Effective March 15, 2003, the Plan began offering property coverage to its members. These coverages are reinsured up to a limit of $250,000,000 per occurrence. The Plan has the ability to access additional property reinsurance capacity if needed.

Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first $1 million layer of casualty reinsurance. The corridor includes losses paid between 65 and 80 percent of premiums earned under this treaty. If the Plan's paid loss ratio reaches 65 percent, the Plan would pay all losses incurred related to this treaty up to the next 15 percent of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 80 percent is exceeded. Effective November 1, 2006, the Plan's loss corridor includes losses paid between 65 and 73 percent of premium earned under this treaty. Effective November 1, 2007, the Plan's loss corridor includes losses paid between 70 and 74 percent of premium earned under this treaty. Effective November 1, 2008, the Plan's loss corridor includes losses paid between 75 and 79 percent of premium earned under this treaty. Effective November 1, 2009, the Plan's loss corridor includes losses paid between 80 and 85 percent of premium earned under this treaty.

Effective July 1, 2007, the Plan began retaining 100 percent of the first $150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is $750,000. Effective July 1, 2008, the Plan continued to retain 100 percent of the first $150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is $800,000. Effective July 1, 2009, the Plan's retention remained 100 percent of the first $150,000 layer of property. The Plan's annual loss aggregate under this property treaty is $1 million. Effective July 1, 2010, the Plan's retention remained 100 percent of the first $150,000 layer of property. The Plan's annual loss aggregate under this property treaty is $1.2 million. Effective July 1, 2011, the Plan's annual loss aggregate under this property treaty is $1.5 million.

In the event that the reinsurance company should be unable to meet its obligations under the existing reinsurance agreements, the Plan would be liable for such defaulted amounts. Conversely, should the Plan be unable to meet its obligations, amounts due the Plan under reinsurance contracts shall be payable by the reinsurers on the basis of the liability of the Plan under the original Plan policies reinsured without diminution.

Note 4 - Reinsurance Coverage (Continued)

The Plan evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies. Premiums ceded to reinsurance carriers during the years ended December 31, 2011 and 2010 totaled $6,398,083 and $5,428,996, respectively.

Note 5 - Commitments and Contingencies

The individual members of the Plan are named as defendants in various lawsuits. These actions were considered by the Plan in establishing its losses and loss adjustment expense reserves. The Plan believes the ultimate disposition of these and other pending lawsuits against the Plan's members will not materially impact the Plan's financial position, results of operations, or cash flows.

Note 6 - Upcoming Accounting Pronouncements

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The Plan is currently evaluating the impact this standard will have on the financial statements when adopted during the Plan’s 2012-2013 fiscal year.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Plan's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet.

Required Supplemental Information

Required Supplemental Information
Schedule of Claims Information for Casualty and Property Lines of Coverage

The tables on the following pages illustrate how the Plan's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Plan as of the end of each of the last 10 years. The rows of the tables are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs, including overhead and claims expenses not allocable to individual claims.

(3) This line shows the gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued), as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

(5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

(6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.

(7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Ohio School Plan

Required Supplemental Information
Schedule of Claims Information for Casualty Lines of Coverage

The Plan commenced operations in 2002 and was fully reinsured in 2002 and 2003. Beginning in March 2003, the Plan began offering property coverage to its members. The Plan's net casualty exposure is associated with various casualty corridors beginning in 2004. The Plan's fiscal year ends December 31 and the policy year ends June 30. Required contributions and investment income and unallocated expenses are reported on a fiscal year and include both lines of coverage.

Fiscal Year Ended December 31	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(1) Required contributions and investment revenue:										
Earned	$ 10,208,223	$ 10,051,064	$ 11,272,623	$ 12,509,385	$ 11,512,205	$ 9,317,535	$ 9,237,992	$ 8,316,306	$ 8,626,386	$ 9,966,003
Ceded	(7,575,856)	(7,704,333)	(8,633,826)	(9,693,397)	(8,469,541)	(6,235,177)	(5,812,842)	(5,133,685)	(5,428,996)	(6,398,083)
Net earned	2,632,367	2,346,731	2,638,797	2,815,988	3,042,664	3,082,358	3,425,150	3,182,621	3,197,390	3,567,920
(2) Unallocated expenses	2,483,293	2,407,657	2,386,438	2,417,723	2,506,516	2,107,788	2,018,781	1,808,421	1,898,243	2,133,343
Policy Year Ended June 30										
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	4,943,645	5,664,340	5,104,104	5,250,727	2,296,966	2,040,269	1,562,028	1,286,439	1,634,276	2,301,660
Ceded	(4,943,645)	(5,664,340)	(5,104,104)	(5,250,727)	(2,296,966)	(1,828,379)	(1,562,028)	(1,286,439)	(1,538,278)	(2,248,233)
Net incurred	-	-	-	-	-	211,890	-	-	95,998	53,427
(4) Net paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	-	-	-
One year later	-	-	-	-	-	-	-	-	-	
Two years later	-	-	-	-	-	-	-	-		
Three years later	-	-	-	-	-	-	-			
Four years later	-	-	-	-	-	-				
Five years later	-	-	-	-	-					
Six years later	-	-	-	-						
Seven years later	-	-	-							
Eight years later	-	-								
Nine years later	-									
(5) Re-estimated ceded claims and expenses	3,984,723	1,562,826	2,797,422	2,455,145	1,989,311	3,187,042	2,358,635	3,110,921	2,818,603	2,248,223
(6) Re-estimated incurred claims and expenses:										
End of policy year	-	-	-	-	-	211,890	-	-	95,998	53,427
One year later	-	-	-	254,040	-	292,865	178,843	3,917	169,135	
Two years later	-	-	-	-	-	392,251	856,917	-		
Three years later	-	-	-	-	-	392,251	-			
Four years later	-	-	-	-	-	194,146				
Five years later	-	-	-	-	-					
Six years later	-	-	-	-						
Seven years later	-	-	-							
Eight years later	-	-								
Nine years later	-									
(7) Change in estimated incurred claims and expenses,	-	-	-	-	-	(17,744)	-	-	73,137	-

Required Supplemental Information
Schedule of Claims Information for Property Lines of Coverage

The Plan commenced operations in 2002 and was fully reinsured in 2002 and 2003. Beginning in March 2003, the Plan began offering property coverage to its members. The Plan's net casualty exposure is associated with various casualty corridors beginning in 2004. The Plan's fiscal year ends December 31 and the policy year ends June 30. Required contributions and investment income and unallocated expenses are reported on a fiscal year and include both lines of coverage.

Fiscal Year Ended December 31	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(1) Required contributions and investment revenue:										
Earned	$ 10,208,223	$ 10,051,064	$ 11,272,623	$ 12,509,385	$ 11,512,205	$ 9,317,535	$ 9,237,992	$ 8,316,306	$ 8,626,386	$ 9,966,003
Ceded	(7,575,856)	(7,704,333)	(8,633,826)	(9,693,397)	(8,469,541)	(6,235,177)	(5,812,842)	(5,133,685)	(5,428,996)	(6,398,083)
Net earned	2,632,367	2,346,731	2,638,797	2,815,988	3,042,664	3,082,358	3,425,150	3,182,621	3,197,390	3,567,920
(2) Unallocated expenses	2,483,293	2,407,657	2,386,438	2,417,723	2,506,516	2,107,788	2,018,781	1,808,421	1,898,243	2,133,343
Policy Year Ended June 30										
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	-	-	803,914	642,784	960,601	14,380,753	1,361,738	1,985,553	6,457,211	1,656,291
Ceded	-	-	(803,914)	(642,784)	(960,601)	(14,005,753)	(611,738)	(1,185,553)	(5,457,211)	(456,291)
Net incurred	-	-	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000
(4) Net paid (cumulative) as of:										
End of policy year	-	-	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000
One year later	-	-	-	-	-	375,000	750,000	800,000	1,000,000	
Two years later	-	-	-	-	-	375,000	750,000	800,000		
Three years later	-	-	-	-	-	375,000	750,000			
Four years later	-	-	-	-	-	375,000				
Five years later	-	-	-	-	-					
Six years later	-	-	-	-						
Seven years later	-	-	-							
Eight years later	-	-								
Nine years later	-									
(5) Re-estimated ceded claims and expenses	-	-	596,864	683,590	898,617	16,761,694	475,043	1,070,273	5,360,946	456,291
(6) Re-estimated incurred claims and expenses:										
End of policy year	-	-	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000
One year later	-	-	-	-	-	375,000	750,000	800,000	1,000,000	
Two years later	-	-	-	-	-	375,000	750,000	800,000		
Three years later	-	-	-	-	-	375,000	750,000			
Four years later	-	-	-	-	-	375,000				
Five years later	-	-	-	-	-					
Six years later	-	-	-	-						
Seven years later	-	-	-							
Eight years later	-	-								
Nine years later	-									
(7) Change in estimated incurred claims and expenses,	-	-	-	-	-	-	-	-	-	-

Required Supplemental Information
Statement of Reconciliation of Net Loss and Loss Adjustment Expenses by Type of Contract

	Fiscal and Policy Years Ended December 31					
	2011			2010		
	Casualty	Property	Total	Casualty	Property	Total
Net losses and loss adjustment expenses (undiscounted) - Beginning of fiscal year	$ 492,166	$ 308,000	$ 800,166	$ 571,094	$ 203,468	$ 774,562
Incurred losses and loss adjustment expenses:						
Provision for insured events of the current fiscal year	-	673,859	673,859	-	700,638	700,638
Change in provision for insured events of prior fiscal years	(75,451)	499,362	423,911	(78,928)	483,162	404,234
Total incurred losses and loss adjustment expenses	(75,451)	1,173,221	1,097,770	(78,928)	1,183,800	1,104,872
Payments - Net of reinsurance recoveries and member deductibles:						
Losses and loss adjustment expenses related to insured events of the current year	-	395,878	395,878	-	392,638	392,638
Losses and loss adjustment expenses related to insured events of prior fiscal years	-	807,368	807,368	-	686,630	686,630
Total payments	-	1,203,246	1,203,246	-	1,079,268	1,079,268
Net discounted losses and loss adjustment expenses - End of year	**$ 416,715**	**$ 277,975**	**$ 694,690**	**$ 492,166**	**$ 308,000**	**$ 800,166**

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*

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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*

Independent Auditor's Report

To the Board of Directors
Ohio School Plan

We have audited the basic financial statements of Ohio School Plan (the "Plan") as of and for the year ended December 31, 2011 and have issued our report thereon dated April 17, 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

Management of Ohio School Plan is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered Ohio School Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 Plan'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.

To the Board of Directors
Ohio School Plan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio School Plan's basic 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 board of directors, the members, management, and Auditor of the State David Yost and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

April 17, 2012

OHIO SCHOOL PLAN

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
JUNE 12, 2012