

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



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 Auditor's 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, 2012 to June 30, 2013. 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 Program is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 29, 2014

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**NORTHWEST OHIO EDUCATIONAL COUNCIL
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Ohio Educational Council Self-Insurance Pool Program (the "SIPP"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the SIPP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Ohio Education Council Self-Insurance Pool Program as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Cessation of Operations

As more fully described in Note 7, the SIPP has ceased active operations as a property and casualty insurance risk pool.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and loss development information on pages 3-5 and 17 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, on our consideration of the SIPP'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SIPP's internal control over financial reporting and compliance.



February 11, 2014

**NORTHWEST OHIO EDUCATIONAL COUNCIL
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

- In total, net position was \$341,197 at June 30, 2013.
- The SIPP had operating revenues of \$0 and operating expenses of (\$13,621) for fiscal year 2013. The SIPP had \$76 in net non-operating expenses. Operating income and the change in net position for the fiscal year was \$13,621 and \$13,545, respectively.
- The SIPP ceased active operations effective July 1, 2012. All activity in fiscal year 2013 is for claims incurred prior to that date.

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 position* and *statement of revenues, expenses, and changes in net position* 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 position, statement of revenues, expenses, and changes in net position 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 2013?" The statement of net position and the statement of revenues, expenses, and changes in net position 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 position and the statement of revenues, expenses and changes in net position report the SIPP's *net position* and changes in that position. This change in net position 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 position and statement of revenues, expenses, and changes in net position 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.

**NORTHWEST OHIO EDUCATIONAL COUNCIL
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 9-16 of this report.

Required Supplementary Information

The loss development information can be found on page 17 of this report.

Net Position and Changes in Net Position

The table below provides a summary of the SIPP's net position for 2013 and 2012.

	Net Position	
	<u>2013</u>	<u>2012</u>
<u>Assets:</u>		
Current assets	\$ 495,355	\$ 559,196
Total assets	<u>495,355</u>	<u>559,196</u>
<u>Liabilities:</u>		
Current liabilities	<u>154,158</u>	<u>231,544</u>
Total liabilities	<u>154,158</u>	<u>231,544</u>
<u>Net Position:</u>		
Unrestricted	<u>341,197</u>	<u>327,652</u>
Total net position	<u>\$ 341,197</u>	<u>\$ 327,652</u>

Net position increased by \$13,545, or 4.1%, from June 30, 2012 primarily due to a reduction in the estimate of losses and loss adjustment liabilities for insured events in prior years in excess of the amounts paid for claims and other operating expenses.

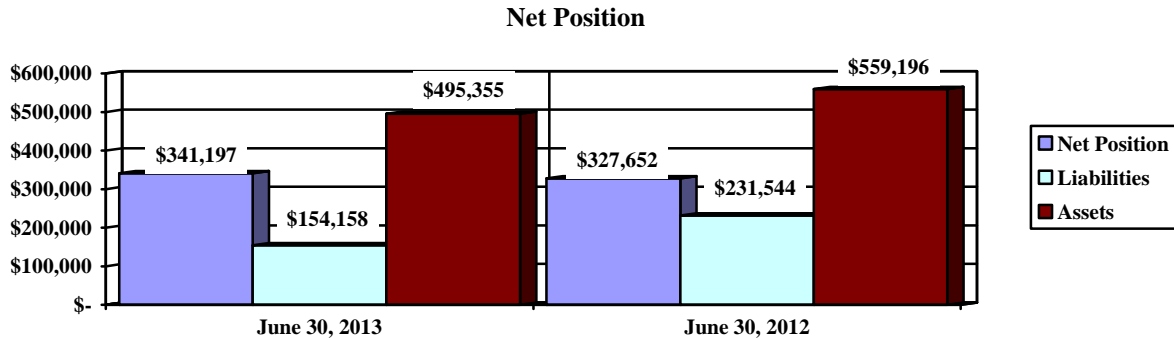
Total assets of the SIPP decreased \$63,841, or 11.4%, from June 30, 2012 primarily due to the SIPP receiving no contributions from members in fiscal year 2013. The SIPP is paying claims incurred prior to July 1, 2012 from the cash reserve.

Total liabilities of the SIPP decreased \$77,386, or 33.43%, from June 30, 2012 due to the SIPP not being liable for any claims incurred after June 30, 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The chart below shows a breakdown of the SIPP's assets, liabilities and net position for 2013 versus 2012:



The table below shows the changes in net position for fiscal year 2013 and 2012.

	Change in Net Position	
	<u>2013</u>	<u>2012</u>
<u>Revenues:</u>		
Contributions from members	\$ -	\$ 1,009,385
Interest, unrealized and realized loss on redemption of investments	(76)	707
Total revenue	<u>(76)</u>	<u>1,010,092</u>
<u>Expenses:</u>		
Losses and loss adjustments	(40,932)	121,465
Professional fees	22,218	72,228
Administrative fees	2,800	22,400
Premiums	1,268	650,485
Other	1,025	403
Total expenses	<u>(13,621)</u>	<u>866,981</u>
Change in net position	<u>\$ 13,545</u>	<u>\$ 143,111</u>

The SIPP ceased active operations effective July 1, 2012 and as such there were no contributions received from members and all operating expenses were paid from the cash reserve for fiscal year 2013. The losses and loss adjustments expense consists of payments made for claims incurred prior to June 30, 2012 and the change in the losses and loss adjustments reserve liability estimate from the prior fiscal year. Insurance coverage was not renewed on July 1, 2012 except for Directors and Officers which was the only insurance premium paid in fiscal year 2013. Professional fees and administrative fees decreased over the prior fiscal year due to decreased activity during fiscal year 2013.

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_peg@nwoca.org.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash and cash equivalents	\$ 142,518
Investments	229,500
Cash held in escrow	123,126
Receivables:	
Accrued interest	<u>211</u>
Total assets	<u>495,355</u>
Liabilities:	
Current liabilities:	
Losses and loss adjustments reserve	<u>154,158</u>
Total liabilities	<u>154,158</u>
Net position:	
Unrestricted	<u>341,197</u>
Total net position	<u><u>\$ 341,197</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	\$	-
Operating expenses:		
Losses and loss adjustments		(40,932)
Professional fees		22,218
Administrative fees		2,800
Premiums.		1,268
Other		1,025
		(13,621)
Total operating expenses.		(13,621)
Operating income.		13,621
Non-operating revenues (expenses):		
Interest revenue		1,244
Realized loss on investments		(265)
Unrealized loss on investments.		(1,055)
		(76)
Total non-operating revenues (expenses).		(76)
Change in net position		13,545
Net position at beginning of year.		327,652
Net position at end of year	\$	341,197

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, 2013

Cash flows from operating activities:	
Cash received for claims	\$ 12,139
Cash payments for premiums.	(1,268)
Cash payments for professional fees.	(22,218)
Cash payments for claims	(42,718)
Cash payments for administrative fees.	(8,400)
Cash payments for other expenses	(1,300)
	(63,765)
Net cash used in operating activities	(63,765)
Cash flows from investing activities:	
Proceeds from sale of investments.	200,000
Purchase of investments.	(430,820)
Interest received	1,033
	(229,787)
Net cash used in investing activities	(229,787)
Net decrease in cash and cash equivalents	(293,552)
Cash and cash equivalents at beginning of year . . .	559,196
Cash and cash equivalents at end of year	\$ 265,644
Reconciliation of operating loss to net cash used in operating activities:	
Operating Income	\$ 13,621
Changes in assets and liabilities:	
Decrease in accounts payable.	(5,875)
Decrease in losses and loss adjustments reserve.	(71,511)
	(77,386)
Net cash used in operating activities	\$ (63,765)

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, 2013**

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 Governing Board of the SIPP elected not to renew insurance coverage and cease active operations July 1, 2012 and as such all the member school districts joined other insurance pools. The SIPP consisted of the following member school districts prior to July 1, 2012:

- Ayersville Local School District
- Genoa Local School District
- Holgate Local School District
- Lake Local School District
- Educational Service Center of Lake Erie West
- 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, 2013

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

The SIPP has an agreement with Arthur J. Gallagher & Co. 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 provided insurance coverage for the member school districts on a claims-made basis. The SIPP maintained annual insurance coverage through various carriers that limited 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, prior to July 1, 2012. Subsequent to June 30, 2012, all member school districts joined other insurance pools and obtained insurance coverage through them.

<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 approval.

The SIPP used 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 had a per occurrence retention of \$100,000 for all insured events incurred between July 1, 2009 and June 30, 2012, \$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, 2013

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, 61, 62, 63, 65, 66 and GASB Interpretation No. 4.

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 position 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, 2013

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 Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the SIPP or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The SIPP had no restricted net position at June 30, 2013.

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, 2013, the carrying amount of the SIPP's deposits was \$164,582. At June 30, 2013, the bank balance of the SIPP's deposits was \$164,582. 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, 2013, all 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 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

As of June 30, 2013, the SIPP had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FNMA	\$ 100,038	\$ 100,038	\$ -	\$ -
Negotiable CD	129,462	-	-	129,462
U.S. Government money market	101,062	101,062	-	-
Total	<u>\$ 330,562</u>	<u>\$ 201,100</u>	<u>\$ -</u>	<u>\$ 129,462</u>

The weighted average maturity of investments is 0.61 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 FNMA and a U.S. Government money market fund was rated AA+ 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 investments in FNMA and a U.S. Government money market fund are exposed to custodial credit risk in that it is 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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 100,038	30.26
Negotiable CD	129,462	39.17
U.S. Government money market	101,062	30.57
Total	<u>\$ 330,562</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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 position as of June 30, 2013:

Cash and investments per note

Carrying amount of deposits	\$ 164,582
Investments	<u>330,562</u>
Total	<u>\$ 495,144</u>

Cash and investments per statement of net position

Cash and cash equivalents	\$ 142,518
Investments	229,500
Cash held in escrow	<u>123,126</u>
Total	<u>\$ 495,144</u>

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 Governing Board to perform all duties indicative to the title of Treasurer as the 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 shall 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

	2013	2012
Total unpaid claims and claim adjustment expenses a beginning of fiscal year	\$ 225,669	\$ 242,989
Current year estimated liability and change to prior years' estimates:		
Current fiscal year	-	277,932
Prior fiscal years	(39,729)	(156,467)
Total losses and loss adjustments expense	(39,729)	121,465
Claims paid in the current year for current and prior years:		
Current fiscal year	-	(64,066)
Prior fiscal years	(31,782)	(74,719)
Total claims payments	(31,782)	(138,785)
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$ 154,158	\$ 225,669

NOTE 6 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2013, the SIPP has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the SIPP.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the SIPP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the SIPP's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the SIPP.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the SIPP.

NOTE 7 – CESSATION OF OPERATIONS

The Governing Board of the SIPP elected not to renew insurance coverage and cease active operations July 1, 2012 and as such all the member school districts joined other insurance pools. Claims incurred prior to July 1, 2012 will be paid by the SIPP through June 30, 2014 (statute of limitations).

NORTHWEST OHIO EDUCATIONAL COUNCIL SELF-INSURANCE POOL PROGRAM

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	6/30/12	6/30/13
Premiums and investment revenue	\$ 784,553	\$ 1,588,483	\$ 1,534,635	\$ 1,300,646	\$ 1,262,500	\$ 874,020	\$ 989,101	\$ 993,803	\$ 1,010,092	\$ (76)
Unallocated expenses	571,535	1,172,794	1,030,342	924,771	773,245	776,241	1,031,606	1,048,321	866,981	(13,621)
Estimated losses incurred and expense, end of year	183,299	130,287	441,796	391,652	461,173	470,182	396,801	295,880	277,932	-
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	64,066	-
One year later	166,751	208,150	434,182	193,030	169,787	405,402	367,359	118,699	104,232	-
Two years later	194,322	307,454	362,672	212,102	182,009	422,949	406,047	119,182	-	-
Three years later	194,322	322,946	471,336	217,538	182,009	422,949	397,180	-	-	-
Four years later	193,421	322,946	441,776	214,653	182,009	422,949	-	-	-	-
Five years later	193,763	322,946	441,776	214,653	182,009	-	-	-	-	-
Six years later	194,814	322,946	441,776	214,653	-	-	-	-	-	-
Seven years later	194,814	322,946	441,776	-	-	-	-	-	-	-
Eight years later	194,814	322,946	-	-	-	-	-	-	-	-
Nine 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	277,932	-
One year later	189,892 *	390,456	441,796	353,841	219,450	470,182	396,801	139,413	213,427	-
Two years later	195,129 *	390,456	441,796	252,557	211,918	422,949	396,801	164,189	-	-
Three years later	195,129	351,608	441,796	218,102	182,009	422,949	396,801	-	-	-
Four years later	195,129	360,505	441,796	214,653	182,009	422,949	-	-	-	-
Five years later	195,129	322,946	441,796	214,653	182,009	-	-	-	-	-
Six years later	195,129	322,946	441,796	214,653	-	-	-	-	-	-
Seven years later	195,129	322,946	441,796	-	-	-	-	-	-	-
Eight years later	195,129	322,946	-	-	-	-	-	-	-	-
Nine 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)	-	(131,691)	(64,505)	-

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



INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Northwest Ohio Educational Council Self-Insurance Pool Program (the "SIPP") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the SIPP's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 11, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SIPP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the SIPP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SIPP's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 11, 2014



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 13, 2014**