

**SOUTHWESTERN OHIO EDUCATIONAL  
PURCHASING COUNCIL BENEFIT PLAN TRUST,  
SELF-INSURED DENTAL AND VISION PLAN**

Basic Financial Statements

June 30, 2007

With

Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Southwestern Ohio Educational Purchasing Council  
- Self-Insured Dental and Vision Plan  
303 Corporate Center Drive  
Suite 208  
Vandalia, Ohio 45377

We have reviewed the *Independent Auditor's Report* of the Southwestern Ohio Educational Purchasing Council - Self Insured Dental and Vision Plan, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 8, 2008

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**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
[www.cshco.com](http://www.cshco.com)

Independent Auditors' Report

Board of Trustees  
Southwestern Ohio Educational Purchasing Council  
- Self-Insured Dental and Vision Plan Trust  
303 Corporate Center Drive, Suite 208  
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the Self-Insured Dental and Vision Plan (the Trust) of the Southwestern Ohio Educational Purchasing Council as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self-Insured Dental and Vision Plan of the Southwestern Ohio Educational Purchasing Council as of June 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis (pages 3 through 6) and the Schedule of Claims Development (page 15) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clark, Schaefer, Hachett & Co.*

Springfield, Ohio  
January 31, 2008

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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The discussion and analysis of Southwestern Ohio Educational Purchasing Council's Benefit Plan Trust, Self-Insured Dental and Vision Plan, (the Trust) financial performance provides an overall review of the financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. We encourage the reader to consider the information presented here in conjunction with the basic financial statements taken as a whole.

The Trust:

The Trust is a function of the Southwestern Ohio Educational Purchasing Council, which is a duly organized and existing Regional Council of Governments formed under the auspices of Chapter 167 of the Ohio Revised Code, which allows it to perform any function or duty performable by its member school districts. The benefits through this trust include dental and vision insurance coverage for employees of participating member school districts through a risk sharing (self-insurance) pool.

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

For fiscal year 2007, the dental coverage had 43 participating school districts with 8,550 covered employees while the vision coverage had 28 participating school districts with 3,900 covered employees. Individual benefits offered to employees are based on negotiations between the Trust and each of the participating school districts.

Basic Financial Statements and Presentation:

The financial statements presented by the Trust are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements are presented using the accrual basis of accounting. Revenues are recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. The Trust is structured with one enterprise fund.

Balance Sheet:

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

The cash and cash equivalents balance reported at June 30, 2007 was \$44,150 higher than the amount reported one year prior. While the member contribution rates did increase for fiscal year 2007 (7.0 percent for dental effective January 1, 2007 and 6.2 percent for vision effective October 1, 2006), operating costs increased by 9.8 percent for the year. The additional interest earnings on investments reported for fiscal year 2007 was the reason the Trust was able to report a positive change in net assets for



**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Management's Discussion and Analysis  
For the Year Ended June 30, 2007

the year. Interest earnings increased by \$40,962 or 76.5 percent over 2006 due to having these funds invested for the entire year whereas in the prior year, funds were only invested for a portion of the year.

Liabilities associated with claims payable represent 75 percent of the Trust's total liabilities reported at June 30, 2007. Processed claims payables represent payments that have been approved and paid by the TPA but have not been presented to the Trust for payment. Reserve for claims payable are liabilities carried for net unpaid claims, both reported and incurred but unreported existing at the end of the fiscal year. The reserve for claims payable is established annually with the assistance of an outside actuary based on statistical models. The reserve for claims payable amount reported at June 30, 2007 increased by \$30,430 over the liability reported for the previous year. The increase factors in the number of employees covered by the plan as well as the historical payment patterns experienced by the plan during the prior year.

The small decrease in the unearned participants contributions at June 30, 2007 compared with those at June 30, 2006 is simply a timing issue associated with the premium billings sent to participating school district and when the participating districts submitted payment for their July 2007 coverage. All unearned participant contributions were for July 2007 coverage and were recognized as revenue in that month.

Table 1 provides a summary of the Trust's net assets for 2007 compared with 2006.

**TABLE 1  
NET ASSETS**

	<u>2007</u>	<u>2006</u>
<u>Assets:</u>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 1,238,609	\$ 1,194,459
Receivables	5,596	2,116
<i>Noncurrent Assets:</i>		
Investments	<u>498,626</u>	<u>495,500</u>
Total Assets	<u>1,742,831</u>	<u>1,692,075</u>
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Accounts payable	-	24,524
Processed claims payable	53,022	47,425
Reserve for claims payable	438,430	408,000
Unearned participants contributions	<u>166,821</u>	<u>173,749</u>
Total Liabilities	<u>658,273</u>	<u>653,698</u>
<u>Net Assets:</u>		
Unrestricted	<u>1,084,558</u>	<u>1,038,377</u>
Total Net Assets	<u>\$ 1,084,558</u>	<u>\$ 1,038,377</u>

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Management's Discussion and Analysis  
For the Year Ended June 30, 2007

Statement of Revenues, Expenses and Changes in Net Assets:

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Trust's net assets changed during the year. During 2007, the Trust reported an increase in net assets of \$46,181 or 4.5 percent of the total net assets reported for June 30, 2006. With the necessary reserve, as determined by the actuary, included as a liability, the unrestricted net assets totaled \$1,084,558 at year end or approximately 15.2 percent of Trust's operating expenses reported for fiscal year 2007. An increase in net assets should not be associated with "over-funding" as it is not unusual for a year with a good claims experience to be followed with an unexpectedly high claims year. Establishing reserves is a necessity of all risk sharing insurance pools to address these fluctuations in claims.

Table 2 shows the changes in net assets for the year ended June 30, 2007, as well as revenue and expense comparisons to fiscal year 2006.

**TABLE 2  
CHANGES IN NET ASSETS**

	<u>2007</u>	<u>2006</u>
<u>Operating Revenues:</u>		
Participants contributions	\$ 7,090,109	\$ 6,803,423
Total Operating Revenues	7,090,109	6,803,423
<u>Operating Expenses:</u>		
Claims expense	6,635,066	6,083,500
Third party administrator expense	382,997	357,649
COBRA expense	62,958	57,712
Administrative expense	57,433	4,913
Total Operating Expenses	7,138,454	6,503,774
Operating Income	(48,345)	299,649
<u>Non-Operating Revenues:</u>		
Interest and dividends	94,526	53,564
Change in Net Assets	46,181	353,213
Net Assets at Beginning of Year	1,038,377	685,164
Net Assets at End of Year	\$ 1,084,558	\$ 1,038,377

As shown in table 2, approximately 92.9 percent of the \$7.1 million in expenses reported by the Trust for fiscal year 2007 were directly related to the settlement of claims. In addition, another 5.4 percent of the expenses were paid to the third party administrator of the self-insured plan to process and administer the submitted claims. The COBRA expense accounted for 0.9 percent of the operating expenses. The remaining \$57,433 of administrative expenses represents only 0.8 percent of the total expenses of the Trust for the fiscal year. The increase in administrative expense for the year is attributed to the amount paid to Aon Dental in conjunction with a request for proposal project to compare coverage and rates for policy year 2008. As a result of this project, dental coverage offered through the Trust will be administered by Delta Dental effective July 1, 2007.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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Statement of Cash Flows:

The Statement of Cash Flows allows the reader of the financial statements to assess the Trust's adequacy or ability to generate sufficient cash flow to meet its obligations in a timely manner. During fiscal year 2007 the cash and cash equivalents of the Trust increased by \$44,150 over the amount reported at June 30, 2006. While the operating activities, self-insurance pool, used \$41,654 more than it received in contributions, the investing activities of the Trust provided \$85,804 of interest earnings which was able to offset the amount used by operating activities.

Contacting the Administration of the Trust:

This financial report is designed to provide member school districts and other users with a general overview of the Trust's finances and to show accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact Barbara Coriell, Administrator at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377 or by calling (937) 890-3725.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Statement of Net Assets

June 30, 2007

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Assets

Current assets:

Cash and cash equivalents \$ 1,238,609

Receivables:

Accrued interest 5,596

Total current assets 1,244,205

Noncurrent assets:

Investments 498,626

Total noncurrent assets 498,626

Total assets 1,742,831

Liabilities

Current liabilities:

Matured outstanding claims payable 53,022

Reserve for claims payable 438,430

Unearned participant contributions 166,821

Total liabilities 658,273

Net assets

Unrestricted 1,084,558

Total net assets \$ 1,084,558

See accompanying notes to the financial statements.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2007

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<u>Operating revenues:</u>	
Participants premiums	\$ <u>7,090,109</u>
Total operating revenues	<u>7,090,109</u>
<u>Operating expenses:</u>	
Claims expense	6,635,066
Third party administrator expense	382,997
COBRA Expense	62,958
Administrative expense	<u>57,433</u>
Total operating expenses	<u>7,138,454</u>
Operating income	<u>(48,345)</u>
<u>Non-operating revenues:</u>	
Interest earnings	<u>94,526</u>
Total non-operating revenues	<u>94,526</u>
Change in net assets	46,181
Net assets at beginning of year	<u>1,038,377</u>
Net assets at end of year	\$ <u><u>1,084,558</u></u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Statement of Cash Flows  
Year Ended June 30, 2007

<b><u>Cash flows from operating activities:</u></b>	
Cash received for premium contributions	\$ 7,085,297
Cash payments for claim payments	(6,599,039)
Cash payments for claim administration	(470,479)
Cash payments for office expenses	<u>(57,433)</u>
Net cash used by operating activities	<u>(41,654)</u>
 <b><u>Cash flows from investing activities:</u></b>	
Interest earnings	<u>85,804</u>
Net cash provided by investing activities	<u>85,804</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	44,150
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,194,459</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,238,609</u>
 <b><u>Reconciliation of operating loss to net cash used by operating activities</u></b>	
Operating loss	\$ (48,345)
Adjustments to Reconcile Operating loss to Net Cash Used by Operating Activities:	
Changes in assets and liabilities:	
Decrease in premium receivables	2,116
Decrease in accounts payable	(24,524)
Increase in processed claims payable	5,597
Increase in reserve for claims payable	30,430
Decrease in unearned participant contributions	<u>(6,928)</u>
Total Adjustments	<u>6,691</u>
Net cash used by operating activities	<u>\$ (41,654)</u>
 <b><u>Non-cash Investing Activity Item:</u></b>	
Increase in the fair value of investments	<u>\$ 3,126</u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Notes to the Financial Statements

June 30, 2007

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1. Description of the Plan:

The following description of the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust, Self-Insured Dental and Vision Plan (the Trust) provides only general information. Participants should refer to the Trust Agreement for a more complete description of the Trust's provisions. The Southwestern Ohio Educational Purchasing Council is a duly organized and existing Regional Council of Governments formed under the auspices of Chapter 167 of the Ohio Revised Code, which allows it to perform any function or duty performable by its member school districts.

General

The Trust is a function of the Southwestern Ohio Educational Purchasing Council which provides dental and vision insurance coverage for employees of participating employers thru a risk sharing (self-insurance) pool. Individual benefit coverage limits are set by negotiations between the Trust and the participating school districts. With the relatively low individual benefit levels, the Trust does not have stop-loss insurance coverage for its dental or vision plans. Through separate plans, the Trust also provides medical insurance coverage options to participating school district. The financial activity of the medical insurance plan is covered by a separate annual report.

The dental and vision risk sharing pool, or self-insurance pool, pays the dental and vision claims submitted by covered employees from contributions collected and maintained by the Trust, and therefore, the risk remains with the Trust. Claims for both types of insurance coverage are processed by a third party administrator (TPA), currently CoreSource for dental coverage and Vision Service Plan for vision coverage, in accordance with benefits established by the Trust. Effective July 1, 2007 dental coverage will be processed by Delta Dental.

For fiscal year 2007, the dental coverage was offered by 43 participating school district covering 8,550 eligible employees and their dependents. Vision coverage was offered by 28 participating districts with 3,900 covered employees.

Benefits

The Trust establishes and maintains the fund to provide dental and vision benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. Any amount of such benefits, as the Trustees may determine, may be provided in whole or in part through one or more insurance policies.

Contributions

Under the terms of the Trust Agreement, participating school districts make monthly (or more frequent, if necessary) premium payments to fund claims, administrative costs, as well as sufficiently fund adequate reserves.

Participating school districts contribute an amount that is determined by the number of eligible employees and dependents for that month multiplied by funding amounts established at the renewal date for each plan, which was January 1 for dental and October 1 for vision during fiscal year 2007. The funding amounts are based on claim experience, claims administration expenses, and needed reserve amounts. Every other year school districts are

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Notes to the Financial Statements

June 30, 2007

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reassessed individually to ensure contributions are in line with average claim costs encountered over the previous two years. In the off year, all participating school districts receive the same renewal percentage change.

2. Summary of Accounting Policies:

The following accounting principles and practices of the Trust are set forth to facilitate the understanding of data presented in the financial statements.

Basis of accounting:

The Trust follows the accrual basis of accounting as required by enterprise funds and is not legally required to adopt a budget. All transactions are accounted for in a single enterprise fund. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Trust has elected not to apply the provisions for the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Association will continue to apply all applicable pronouncements issued by the GASB.

Cash and cash equivalents:

All deposits with financial institutions, and a State of Ohio depository institution, having an original maturity of 90 days or less are reported as cash and cash equivalents.

Claims payable:

Provision for claims payable is based on information calculated by the TPA and the Trust's actuary. This amount represents claims that have been processed but not yet presented for payment and an estimate of reported, unpaid claims, plus a provision for claims incurred but not reported. The Trust believes this estimate of its liability for claims payable is reasonable and supported by valid actuarial calculations; however, actual incurred claim expense may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of claims may vary from the estimated amounts included in the accompanying financial statements.

Should the provisions for claims payable not be sufficient, the Trust will utilize unrestricted net assets to cover the excess claims. Future member contributions will be adjusted, if necessary, to ensure adequate reserve coverage is maintained.

Unearned participant contributions:

Unearned participant contributions represent contributions from member school districts received prior to the end of the fiscal year but are intended to fund required contributions for the subsequent fiscal year.



**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Notes to the Financial Statements

June 30, 2007

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Net assets:

Net assets represent the difference between assets and liabilities. It is displayed in three separate components as follows:

Invested in capital assets, net of related debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

As of June 30, 2007, the Trust does not have any net assets meeting the definition of “invested in capital assets, net of related debt” or “restricted” net assets. As deemed appropriate by the Board of Trustees, the Trust may distribute all or part of the unrestricted net assets to participating school districts during years when surplus funds are reported.

In the event of the termination of the Trust, net assets will be used to settle all claims and other obligations incurred by the Trust, as well as establishing an appropriate reserve to settle any future claims. Remaining net assets will be distributed based on the discretion of the Board of Trustees.

Classification of revenue:

The Trust classifies its revenues as either operating or non-operating. Non-operating revenue is a result of the receipt of interest income. Contributions from participating school districts are recognized on the accrual basis and are recorded as revenue in the period earned.

Tax status:

The Trust is exempt from income taxes due to the fact that it is defined as a Council of Governments. According to the Internal Revenue Service filing requirements, due to its governmental status the plan is excluded from the Form 5500 filing requirements.

ERISA:

Due to the Plan being deemed a governmental plan by the Internal Revenue Service, it is not covered by the rules and regulations of ERISA, Title I.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Notes to the Financial Statements

June 30, 2007

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposits and Investments:

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Trust's deposits may not be returned to it. Protection of the Trust's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution.

At year-end, the carrying amount of the Trust's deposits was \$1,238,609 with the bank balance being the same amount. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,138,609 was subject to custodial credit risk as it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the name of the Trust. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Trust to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Investments are reported at fair value. As of June 30, 2007, the Trust had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total Investments</u>	<u>Maturities (in Years)</u>	
			<u>Less than 1</u>	<u>1 to 2</u>
FHLB	\$ 398,688	80.0%	\$ -	\$ 398,688
FHLMC	99,938	20.0%	99,938	-
Total	<u>\$ 498,626</u>	<u>100.0%</u>	<u>\$ 99,938</u>	<u>\$ 398,688</u>

*Custodial Credit Risk:* All investments shall be issued in the name of the Trust per Ohio Law.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from erosion of market value or change in market conditions, the Trust's investment policy requires investments to mature no later than five years from the settlement date or on the date the invested funds are expected to be disbursed in satisfaction of an obligation of the Trust, whichever is earlier.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
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Notes to the Financial Statements

June 30, 2007

*Credit Risk:* The Trust's investment policy permits investment in all vehicles permitted by State Law. At June 30, 2007 the Trust's investments in U.S. Agency Securities (FHLB and FHLMC) were all rated AAA by Standard & Poor's.

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

4. Reserve for Claims Payable:

As discussed in Note 2, the Trust establishes a reserve for claims payable for its self-insured plan option which includes both reported and incurred but unreported reported claims. The changes in the reserve for claims payable for the last two fiscal years are as follows:

	June 30	
	2007	2006
Claims payable - beginning of year	\$ 455,425	\$ 653,177
Incurred claims and claim adjustments:		
Provision for insured events of the current year	6,635,066	6,083,500
Change in provision for insured events of prior year	-	-
Total incurred claims and claim adjustments	6,635,066	6,083,500
Payments:		
Claim payments attributable to claims of current year	6,201,225	5,769,502
Claim payments attributable to claims of prior years	397,814	511,750
Total payments	6,599,039	6,281,252
Claims payable - end of year	\$ 491,452	\$ 455,425
Amounts per Balance Sheet:		
Processed claims payable	\$ 53,022	\$ 47,425
Reserve for claims payable	438,430	408,000
Total claims payable - end of year	\$ 491,452	\$ 455,425

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL  
BENEFIT PLAN TRUST, SELF-INSURED DENTAL AND VISION PLAN**

Schedule of Claims Development  
For the Years Ended June 30, 2007, 2006, 2005 and 2004 (A)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1. Required contribution and investment revenue:				
Earned (paid contributions)	7,090,109	6,803,423	7,026,522	6,681,880
Ceded (excess insurance) (B)	-	-	-	-
Net earned	7,090,109	6,803,423	7,026,522	6,681,880
2. Unallocated expenses:	440,430	362,562	363,406	360,445
3. Estimated claims and expenses, end of fiscal year:				
Incurred	6,635,066	6,083,500	6,320,623	6,691,311
Ceded (B)	-	-	-	-
Net Incurred	6,635,066	6,083,500	6,320,623	6,691,311
4. Net paid claims as of:				
End of fiscal year	6,201,225	5,769,502	5,823,281	5,841,230
One year later		397,814	511,750	524,993
5. Re-estimated net incurred claims and expense, as of:				
End of fiscal year	6,635,066	6,083,500	6,320,623	6,691,311
One year later		6,167,316	6,335,031	6,366,223
6. Increase(decrease) in estimated incurred claims and expenses from end of policy year: (C)		-	-	-

Note:

- (A) Table only includes last four years as information from prior years was not practically available. Information for additional years will continue to be added in future years.
- (B) Excess insurance is not purchased by the Trust due to the level of benefits offered and the total maximum risk the plan is subjected to.
- (C) Due to the nature of the claims, it is highly unlikely that any significant claim amount would remain unpaid at the end of the subsequent fiscal year. Therefore, there is no component included in the IBNR calculation for changes in prior years estimated claims and expenses.



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
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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*

Board of Trustees  
Southwestern Ohio Educational Purchasing Council  
- Self-Insured Dental and Vision Plan  
303 Corporate Center Drive, Suite 208  
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the Self-Insured Dental and Vision Plan (the Trust) of the Southwestern Ohio Educational Purchasing Council, as of and for the year ended June 30, 2007 and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

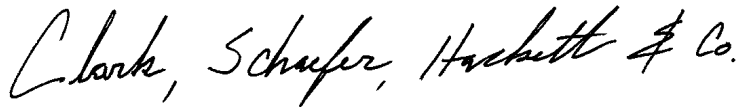
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio  
January 31, 2008



**Mary Taylor, CPA**  
Auditor of State

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL-SELF INSURED  
DENTAL AND VISION PLAN**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2008**