Ohio School Plan

Financial Report
with Supplemental Information
December 31, 2013

Dave Yost · Auditor of State

Board of Directors
Ohio School Plan
c/o Hylant Administrative Services
811 Madison Avenue
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, 2013 through December 31, 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 Ohio School Plan is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

May 1, 2014

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Independent Auditor's Report

To the Board of Directors
Ohio School Plan

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio School Plan (the "Plan") as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

Management's Responsibility for the Basic 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 Planl'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.

To the Board of Directors
Ohio School Plan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2013 and 2012 and the respective changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of claims information for casulaty lines of coverage, schedule of claims information for property lines of coverage, and statement of reconciliation of net losses and loss adjustment expense type of contract, as identified in the table of contents, be presented to supplement the financial staements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. 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 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 April 8, 2014 on our consideration of the 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 8, 2014

Management's Discussion and Analysis

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, 2013. 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 casualty 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 financial statements, which follow this section, provide both long- and short-term information about the Plan's financial status. The statement of net position and the statement of revenue, expenses, and changes in net position 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 financial statements, and required supplemental information.

The three financial statements presented are as follows:

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

- **Statement of Revenue, Expenses, and Changes in Net Position** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists primarily of member premiums and membership fees, with the major sources of operating expenses being losses and loss adjustment expense, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists of investment activity.

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

	December 31		
Condensed Statement of Net Position	2013	2012	2011
Assets			
Cash and cash equivalents and investments	$ 5,878,266	$ 3,827,855	$ 3,293,219
Reinsurance receivable	910,694	1,483,777	930,499
Other assets	52,639	39,737	57,158
Total assets	6,841,599	5,351,369	4,280,876
Liabilities			
Losses and loss adjustment expense	2,076,828	1,279,659	694,690
Unearned premiums and membership fees	1,387,097	1,098,852	906,552
Other liabilities	589,005	356,441	211,178
Total liabilities	4,052,930	2,734,952	1,812,420
Net Position - Unrestricted	**$ 2,788,669**	**$ 2,616,417**	**$ 2,468,456**

	Year Ended December 31		
Condensed Statement of Changes in Net Position	2013	2012	2011
Changes in Net Position			
Earned premiums and membership fees	$ 14,052,391	$ 12,139,938	$ 9,951,832
Reinsurance premiums ceded	(9,153,269)	(8,012,356)	(6,398,083)
Total operating revenue	4,899,122	4,127,582	3,553,749
Losses and loss adjustment expense	1,902,075	1,513,962	1,097,770
Operating expenses	2,835,608	2,480,865	2,130,255
Total operating expenses	4,737,683	3,994,827	3,228,025
Total nonoperating revenue	10,813	15,206	15,900
Change in Net Position	**$ 172,252**	**$ 147,961**	**$ 341,624**

In addition to net position, 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 $1,490,230, or 28 percent, and $1,070,493, or 25 percent, in 2013 and 2012, respectively. The 2013 and 2012 increases are related to overall Plan operations and investment policy.

- The Plan's investment portfolio decreased $3,431, or .20 percent, due to overall market performance in 2013.

- Reinsurance receivable decreased $573,083 or 39 percent, due to the collection of losses from the Plan's property reinsurers related to catastrophic windstorms that occurred during June 2012.

- Unearned premiums and membership fees increased $288,245, or 26 percent, and $192,300, or 21 percent, in 2013 and 2012, respectively. This change is in line with the growth in premium which is a result of 23 new members in 2013 and 21 new members in 2012.

- In 2013, loss reserves increased $797,169, or 62 percent. Loss reserves related to the 2006 and 2011 casualty paid loss corridors increased $88,000 and $141,089, respectively. The reserves for the 2009 and 2010 casualty paid loss corridors remained the same in 2013. The remainder of the increase is associated with the Plan's retention for property losses.

- In 2013, reinsurance payable increased $250,196, or 78 percent, due to the increase in membership in 2013.

- The Plan's net position increased $172,252 and $147,961 in 2013 and 2012, respectively, due to the Plan's operations.

- Earned premiums and membership fees increased $1,912,453, or 16 percent, and increased $2,188,106, or 22 percent, in 2013 and 2012, respectively. 2013 was one of the Plan's most successful years from an earned premium and membership fees standpoint, due to 97 percent member retention and 23 new members.

- 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 $2,040,963 and $518,514 in 2013 and 2012, respectively. The increase is primarily related to the addition of new members and a decrease in reinsurance receivables during 2013.

Reserves for Unpaid Claims

A significant liability in the Plan's statement of net position is the reserves for reported and incurred but not reported losses and loss adjustment expense. 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	Actual vs. Budget
Operating Revenue			
Earned premiums and membership fees	$ 14,052,391	$ 11,022,600	$ 3,029,791
Reinsurance premiums ceded	(9,153,269)	(6,752,398)	2,400,871
Total operating revenue	4,899,122	4,270,202	628,920
Operating Expenses			
Losses and loss adjustment expense	1,902,075	1,200,000	702,075
Management fees	1,943,782	1,828,352	115,430
Commission expense	647,927	609,451	38,476
Directors' travel and meetings	8,882	10,000	(1,118)
Plan marketing fees	154,585	160,000	(5,415)
Professional fees	49,147	32,700	16,447
Printing and supplies	37	4,000	(3,963)
Website development and maintenance	-	5,000	(5,000)
Bank charges and miscellaneous	3,528	3,000	528
D & O insurance	27,720	26,300	1,420
Total operating expenses	4,737,683	3,878,803	858,880
Nonoperating Revenue - Net investment income	10,813	14,000	(3,187)
Change in Net Position	**$ 172,252**	**$ 405,399**	**$ (233,147)**

The following is an explanation of the significant variances of the budget to actual for 2013.

- Premiums and membership fees exceeded budget due to the addition of 23 members and a high member retention during the year. As premiums have increased, cessions to the Plan's reinsurers increase correspondingly.

- As management fees and commission expense are both based on premiums, 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 Position

	December 31 2013	December 31 2012
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 4,279,337	$ 2,225,495
Investments (Note 2)	380,130	451,122
Accrued interest on investments	1,951	586
Accounts receivable:		
Trade	50,688	39,151
Excess insurance	910,694	1,483,777
Total current assets	5,622,800	4,200,131
Noncurrent Assets - Investments (Note 2)	1,218,799	1,151,238
Total assets	**$ 6,841,599**	**$ 5,351,369**
Liabilities and Net Position		
Current Liabilities		
Losses and loss adjustment expense reserves (Note 3)	$ 1,039,312	$ 666,086
Unearned premiums and membership fees	1,387,097	1,098,852
Reinsurance payable (Note 4)	572,012	321,816
Accrued liabilities	16,993	34,625
Total current liabilities	3,015,414	2,121,379
Long-term Liabilities - Losses and loss adjustment expense reserves - Net of current portion (Note 3)	1,037,516	613,573
Total liabilities	4,052,930	2,734,952
Net Position - Unrestricted	2,788,669	2,616,417
Total liabilities and net position	**$ 6,841,599**	**$ 5,351,369**

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

Ohio School Plan

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2013	2012
Operating Revenue		
Earned premiums and membership fees	$ 14,052,391	$ 12,139,938
Reinsurance premiums ceded	(9,153,269)	(8,012,356)
Total operating revenue	4,899,122	4,127,582
Operating Expenses		
Losses and loss adjustment expense	1,902,075	1,513,962
Management fees	1,943,782	1,694,750
Commission expense	647,927	564,917
Professional fees	49,147	30,709
Plan marketing fees	154,585	150,043
Directors' and officers' coverage	27,720	26,104
Directors' travel and meetings	8,882	11,315
Other	3,565	3,027
Total operating expense	4,737,683	3,994,827
Operating Income	161,439	132,755
Nonoperating Revenue - Net investment income	10,813	15,206
Change in Net Position	172,252	147,961
Net Position - Beginning of year	2,616,417	2,468,456
Net Position - End of year	**$ 2,788,669**	**$ 2,616,417**

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

Statement of Cash Flows

	Year Ended December 31	
	2013	2012
Cash Flows from Operating Activities		
Receipts from member premiums	$ 14,329,099	$ 12,348,743
Losses and loss adjustment expense paid	(1,104,906)	(928,993)
Payments to reinsurers - Net	(8,329,990)	(8,403,045)
Payments for expenses	(2,853,240)	(2,498,191)
Net cash provided by operating activities	2,040,963	518,514
Cash Flows from Investing Activities		
Investment income received	9,448	16,122
Proceeds from sales of investments	1,412,441	2,497,819
Purchase of investments	(1,409,010)	(2,544,002)
Net cash provided by (used in) investing activities	12,879	(30,061)
Net Increase in Cash and Cash Equivalents	2,053,842	488,453
Cash and Cash Equivalents - Beginning of year	2,225,495	1,737,042
Cash and Cash Equivalents - End of year	**$ 4,279,337**	**$ 2,225,495**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 161,439	$ 132,755
Adjustments to reconcile operating income to net cash from operating activities:		
Decrease (increase) in assets:		
Reinsurance receivable	573,083	(553,278)
Accounts receivable	(11,537)	16,505
Increase (decrease) in liabilities:		
Losses and loss adjustment expense reserves	797,169	584,969
Reinsurance payable	250,196	162,589
Unearned premiums and membership fees	288,245	192,300
Accrued liabilities	(17,632)	(17,326)
Net cash provided by operating activities	**$ 2,040,963**	**$ 518,514**

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

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 276 participating members as of December 31, 2013.

The Plan was established to provide property, liability, automobile, violence, and other coverage 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.

Premiums 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 losses and loss adjustment expense 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 as applicable to governmental entities.

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

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' premiums. 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. Written membership fees were $976,531 and $812,319 for the years ended December 31, 2013 and 2012, 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 and all liquid securities with maturities of 90 days or less when purchased.

Investments - Investments consist of U.S. government agency bonds and U.S. Treasury securities 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 position.

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.

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

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 percent to 10 percent of gross premiums written, amounting to $647,927 and $564,917 for the years ended December 31, 2013 and 2012, 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.

Ceding Commissions - Ceding commissions total $2,591,709 and $2,259,667 for 2013 and 2012, 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.

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

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.

Note 2 - Deposits and Investments

The Plan has established an investment policy, and 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.

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, and 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). 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.

Note 2 - Deposits and Investments (Continued)

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 U.S. Bank. Robert W. Baird & Company, Inc. acts as the investment portfolio manager.

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 and a security with a maturity of 90 days or less when purchased. Cash and cash equivalents totaled $4,279,337 and $2,225,495 at December 31, 2013 and 2012, 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.

The Pool maintains balances in its deposit accounts to adequately cover current operating and claim payment expenses. At December 31, 2013 and 2013, the Plan had $4,365,887 and $2,179,410, respectively, of deposits that were uninsured and uncollateralized.

Investments - Investments are reported at fair value. As of December 31, 2013 and 2012, the Plan had the following investments:

	Fair Value	
	2013	2012
U.S. government agency bonds	$ 1,279,051	$ 1,372,261
U.S. Treasury securities	319,878	230,099
Total fair value of portfolio	$ 1,598,929	$ 1,602,360

Note 2 - Deposits and Investments (Continued)

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, 2013 and 2012, all of the Plan's investments were held by the investment's counterparty.

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:

	2013		2012	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
U.S. government agency bonds	$ 1,279,051	2.68	$ 1,372,261	2.09
U.S. Treasury securities	319,878	0.80	230,099	1.33
Money market funds (debt)	6,376	N/A	5,300	N/A

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Plan's investments consist of U.S. government agency bonds that have a credit quality rating of AAA as of December 31, 2013 and 2012. 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. At December 31, 2013, the Plan had investments of $366,773 in Federal Home Loan Bank, $239,010 in Freddie Mac, $159,558 in Federal Farm Credit Banks, and $513,710 in Fannie Mae; these investments represent 29 percent, 19 percent, 12 percent, and 40 percent, respectively, of the Plan's total investments. At December 31, 2012, the Plan had investments of $585,746 in Federal Home Loan Bank, $365,397 in Freddie Mac, and $421,118 in Fannie Mae; these investments represent 43 percent, 27 percent, and 31 percent, respectively, of the Plan's total investments.

Note 3 - Losses and Loss Adjustment Expense Reserves

The Plan establishes reserves for unpaid losses and loss adjustment expense for both reported and unreported insured events. A summary of changes in the losses and loss adjustment expense reserves for the Plan for the years ended December 31, 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Unpaid losses and loss adjustment expense - Beginning of fiscal year	$ 1,279,659	$ 694,690	$ 800,166
Incurred losses and loss adjustment expense:			
Provision for insured events of the current fiscal year	1,033,099	605,673	673,859
Change in provision for insured events of prior fiscal years	868,976	908,289	423,911
Total incurred losses and loss adjustment expense	1,902,075	1,513,962	1,097,770
Payments:			
Losses and loss adjustment expense attributable to insured events of the current fiscal year	521,408	194,955	395,878
Losses and loss adjustment expense attributable to insured events of prior fiscal years	583,498	734,038	807,368
Total payments	1,104,906	928,993	1,203,246
Unpaid losses and loss adjustment expense - End of fiscal year	$ 2,076,828	$ 1,279,659	$ 694,690

During 2013, 2012, and 2011, there were adverse developments in incurred losses 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.

Note 4 - Reinsurance Coverage (Continued)

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 percent 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 percent and 73 percent of premium earned under this treaty. Effective November 1, 2007, the Plan's loss corridor includes losses paid between 70 percent and 74 percent of premium earned under this treaty. Effective November 1, 2008, the Plan's loss corridor includes losses paid between 75 percent and 79 percent of premium earned under this treaty. Effective November 1, 2009, the Plan's loss corridor includes losses paid between 80 percent 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. For July 1, 2012 and 2013, the Plan's annual loss aggregate under the property treaty is $1.75 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.

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, 2013 and 2012 totaled $9,153,269 and $8,012,356, 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.

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 premium revenue and investment revenue, premium revenue ceded to reinsurers, and net earned premium revenue and reported investment revenue.

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

(3) This line shows the gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and allocated adjustment expense (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 losses 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 losses 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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(1) Required premiums and investment revenue:										
Earned	$ 11,272,623	$ 12,509,385	$ 11,512,205	$ 9,317,535	$ 9,237,992	$ 8,316,306	$ 8,626,386	$ 9,966,003	$ 12,155,145	$ 14,063,204
Ceded	(8,633,826)	(9,693,397)	(8,469,541)	(6,235,177)	(5,812,842)	(5,133,685)	(5,428,996)	(6,398,083)	(8,012,356)	(9,153,269)
Net earned	2,638,797	2,815,988	3,042,664	3,082,358	3,425,150	3,182,621	3,197,390	3,567,920	4,142,789	4,909,935
(2) Unallocated expense	2,386,438	2,417,723	2,506,516	2,107,788	2,018,781	1,808,421	1,898,243	2,133,343	2,489,281	2,835,608
Policy Year Ended June 30										
(3) Estimated incurred losses and expense, end of policy year:										
Incurred	5,104,104	5,250,727	2,296,966	2,040,269	1,562,028	1,286,439	1,634,276	2,301,660	2,291,714	2,377,033
Ceded	(5,104,104)	(5,250,727)	(2,296,966)	(1,828,379)	(1,562,028)	(1,286,439)	(1,538,278)	(2,248,233)	(2,291,714)	(2,377,033)
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 losses and expense	2,775,098	2,385,183	1,965,800	3,187,043	2,440,422	2,975,498	3,112,248	4,224,018	2,291,714	2,377,033
(6) Re-estimated incurred losses and expense:										
End of policy year	-	-	-	211,890	-	-	95,998	53,427	-	-
One year later	-	254,040	-	292,865	178,843	3,917	169,135	224,924	141,089	-
Two years later	-	-	-	392,251	-	-	169,135	-	-	-
Three years later	-	-	-	392,251	-	-	-	-	-	-
Four years later	-	-	-	194,146	-	-	-	-	-	-
Five years later	-	-	-	162,146	-	-	-	-	-	-
Six years later	-	-	-	250,141	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
(7) Change in estimated incurred losses and expense, End of policy year	**$ -**	**$ -**	**$ -**	**$ 38,251**	**$ -**	**$ -**	**$ (95,998)**	**$ (53,427)**	**$ 141,089**	**$ -**

Ohio School Plan

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(1) Required premiums and investment revenue:										
Earned	$ 11,272,623	$ 12,509,385	$ 11,512,205	$ 9,317,535	$ 9,237,992	$ 8,316,306	$ 8,626,386	$ 9,966,003	$ 12,155,145	$ 14,063,204
Ceded	(8,633,826)	(9,693,397)	(8,469,541)	(6,235,177)	(5,812,842)	(5,133,685)	(5,428,996)	(6,398,083)	(8,012,356)	(9,153,269)
Net earned	2,638,797	2,815,988	3,042,664	3,082,358	3,425,150	3,182,621	3,197,390	3,567,920	4,142,789	4,909,935
(2) Unallocated expense	2,386,438	2,417,723	2,506,516	2,107,788	2,018,781	1,808,421	1,898,243	2,133,343	2,489,281	2,835,608
Policy Year Ended June 30										
(3) Estimated incurred losses and expense, 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	2,068,345	2,003,502
Ceded	(803,914)	(642,784)	(960,601)	(14,005,753)	(611,738)	(1,185,553)	(5,457,211)	(456,291)	(672,083)	(581,439)
Net incurred	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	1,396,262	1,422,063
(4) Net paid (cumulative) as of:										
End of policy year	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	1,127,916	673,706
One year later	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	1,083,409	-
Two years later	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	-	-
Three years later	-	-	-	375,000	750,000	800,000	1,000,000	-	-	-
Four years later	-	-	-	375,000	750,000	800,000	-	-	-	-
Five years later	-	-	-	375,000	750,000	-	-	-	-	-
Six years later	-	-	-	375,000	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded losses and expense	592,794	666,852	894,022	16,760,661	476,186	1,062,278	5,484,169	447,774	672,083	581,439
(6) Re-estimated incurred losses and expense:										
End of policy year	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	1,396,262	1,422,063
One year later	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	1,114,899	-
Two years later	-	-	-	375,000	750,000	800,000	1,000,000	1,200,000	-	-
Three years later	-	-	-	375,000	750,000	800,000	1,000,000	-	-	-
Four years later	-	-	-	375,000	750,000	800,000	-	-	-	-
Five years later	-	-	-	375,000	750,000	-	-	-	-	-
Six years later	-	-	-	375,000	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
(7) Change in estimated incurred losses and expense, End of policy year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ (281,363)**	$ -

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

	Fiscal Years Ended December 31					
	2013			2012		
	Casualty	Property	Total	Casualty	Property	Total
Net losses and loss adjustment expense - Beginning of fiscal year	$ 556,212	$ 723,447	$ 1,279,659	$ 416,715	$ 277,975	$ 694,690
Incurred losses and loss adjustment expense:						
Provision for insured events of the current fiscal year	-	1,033,099	1,033,099	-	605,673	605,673
Change in provision for insured events of prior fiscal years	229,084	639,892	868,976	139,497	768,792	908,289
Total incurred losses and loss adjustment expense	229,084	1,672,991	1,902,075	139,497	1,374,465	1,513,962
Payments:						
Losses and loss adjustment expense related to insured events of the current year	-	521,408	521,408	-	194,955	194,955
Losses and loss adjustment expense related to insured events of prior fiscal years	-	583,498	583,498	-	734,038	734,038
Total payments	-	1,104,906	1,104,906	-	928,993	928,993
Net losses and loss adjustment expense - End of year	**$ 785,296**	**$ 1,291,532**	**$ 2,076,828**	**$ 556,212**	**$ 723,447**	**$ 1,279,659**

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 Management and the Board of Directors
Ohio School Plan

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 Ohio School Plan (the "Plan"), which comprise the statement of net position as of December 31, 2013 and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated April 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ohio School Plan'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 plan'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.

To Management and the Board of Directors
Ohio School Plan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio School Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

April 8, 2014

Dave Yost • Auditor of State

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
MAY 15, 2014

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