
Ohio School Plan

**Financial Report
with Supplemental Information
December 31, 2017**



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, 2017 through December 31, 2017. 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.

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

Dave Yost
Auditor of State

May 29, 2018

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Independent Auditor's Report

To the Board of Directors
Ohio School Plan

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of Ohio School Plan (the "Plan") as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Plan'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 basic 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 basic 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Ohio School Plan as of December 31, 2017 and 2016 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Ohio School Plan

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 casualty lines of coverage, schedule of claims information for property lines of coverage, and statement of reconciliation of net losses and loss adjustment expense liability by contract type be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2018 on our consideration of Ohio School Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 Ohio School Plan's internal control over financial reporting and compliance.

April 17, 2018

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, 2017. Please read it in conjunction with the Plan's basic 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 basic financial statements, and required supplemental information.

The three basic 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 loss and loss adjustment expense, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists of investment activity and distributions to members.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

Management's Discussion and Analysis (Continued)

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:

Condensed Statement of Net Position	December 31		
	2017	2016	2015
Assets			
Cash and cash equivalents and investments	\$ 10,995,183	\$ 9,770,179	\$ 7,814,941
Accounts receivable	60,632	66,259	246,878
Reinsurance receivable	374,275	657,923	1,240,785
Other assets	11,904	12,698	11,249
Total assets	11,441,994	10,507,059	9,313,853
Liabilities			
Losses and loss adjustment expense reserves	2,382,566	1,897,227	1,873,887
Unearned premiums and membership fees	1,678,599	1,633,847	1,636,305
Other liabilities	442,311	322,597	446,320
Total liabilities	4,503,476	3,853,671	3,956,512
Net Position - Unrestricted	\$ 6,938,518	\$ 6,653,388	\$ 5,357,341
Year Ended December 31			
Condensed Statement of Changes in Net Position	2017	2016	2015
Changes in Net Position			
Earned premiums and membership fees	\$ 15,851,054	\$ 15,496,990	\$ 15,450,501
Reinsurance premiums ceded	(9,972,365)	(9,736,452)	(9,788,944)
Total operating revenue	5,878,689	5,760,538	5,661,557
Losses and loss adjustment expense	1,651,486	1,188,983	1,813,935
Operating expenses	3,402,193	3,343,973	3,226,205
Total operating expenses	5,053,679	4,532,956	5,040,140
Total nonoperating (expense) revenue	(539,880)	68,465	(457,954)
Change in Net Position	\$ 285,130	\$ 1,296,047	\$ 163,463

Management's Discussion and Analysis (Continued)

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 \$934,935, or 9 percent and \$1,193,206, or 13 percent in 2017 and 2016, respectively. The 2017 and 2016 increases are related to overall plan operations.
- The Plan's premiums receivable decreased \$5,627 or 8 percent and \$180,619 or 73 percent in 2017 and 2016, respectively. The decreases are due primarily to the timing of payments received.
- The Plan's investment portfolio increased \$5,331,366 or 162 percent and decreased \$336,673 or 9 percent in 2017 and 2016, respectively. The increase in the current year is due to the purchase of new assets resulting in a reduction of cash as well as market performance. The decrease in 2016 was due primarily to the sale of investments exceeding the purchases as well as the overall market performance.
- Reinsurance receivables decreased \$283,648, or 43 percent and \$582,862 or 47 percent in 2017 and 2016, respectively. The decreases were due to payables from the reinsurers exceeding the casualty and property premium receivables from those same reinsurers.
- Unearned premiums and membership fees increased \$44,752, or 3 percent and decreased \$2,458 or 1 percent 2017 and 2016, respectively. The 2017 change is due to an increase of membership resulting in higher premiums and correspondingly a higher unearned premium
- In 2017 loss reserves increased \$485,339, or 26 percent. Loss reserves related to the 2006 casualty paid loss ratio corridor decreased by \$15,000; loss reserves for the 2015 casualty loss corridor increased \$123,000; loss reserves for the 2016 casualty loss corridor increased \$18,000. The remainder of the change is associated with the Plan's retained property losses.
- The Plan's net position increased \$285,130 and \$1,296,047 in 2017 and 2016, respectively. The increases in 2017 and 2016 were due to increased membership and favorable claim results and development.
- Earned premiums and membership fees increased \$354,064 or 2 percent and \$46,489 or 0.3 percent, in 2017 and 2016, respectively. The 2017 increase was due to strong retention and new business growth. The 2016 increase was due to a positive change in unearned premiums.
- 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 reduced cash of \$4,106,362 in 2017 and added cash of \$2,291,911 in 2016. The decrease in cash for 2017 correlated with the increase in investments in the current year. The 2016 increases in cash and cash equivalents are primarily due to the increase in net cash provided by investing activities and the collection of member premiums.

Management's Discussion and Analysis (Continued)

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 loss 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	\$ 15,851,054	\$ 14,939,633	\$ 911,421
Reinsurance premiums ceded	(9,972,365)	(9,859,256)	113,109
Total operating revenue	5,878,689	5,080,377	798,312
Operating Expenses			
Losses and loss adjustment expense	1,651,486	1,800,000	(148,514)
Management fees	2,175,889	2,131,416	44,473
Commission expense	725,297	710,472	14,825
Directors' travel and meetings	10,464	10,000	464
Plan marketing fees	150,000	163,000	(13,000)
Professional fees	180,607	36,850	143,757
Printing and supplies	-	2,500	(2,500)
Website development and maintenance	-	2,500	(2,500)
Other	7,108	7,500	(392)
Licenses and fees	1,290	-	1,290
Pollution insurance	121,747	125,000	(3,253)
D & O insurance	29,791	29,791	-
Total operating expense	5,053,679	5,019,029	34,650
Nonoperating Revenue (Expenses)			
Net investment income	110,120	80,000	30,120
Distributions to members	(650,000)	-	(650,000)
Total nonoperating (expense) revenue	(539,880)	80,000	(619,880)
Change in Net Position	\$ 285,130	\$ 141,348	\$ 143,782

Management's Discussion and Analysis (Continued)

The following is an explanation of the significant variances of the budget to actual for 2017.

- Premiums and membership fees exceeded the budget due to the addition of 14 new members during the year and membership retention of 97 percent.
- As reinsurance premiums ceded, management fees and commission expense are based on premiums; their variance to budget is consistent with the variance generated with respect to the premiums.
- The loss and loss adjustment expenses were under budget primarily due to favorable claim experience.

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, 2017 and 2016	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 2,362,747	\$ 6,469,109
Investments (Notes 3 and 4)	5,856,837	265,257
Accounts receivable:		
Trade	60,632	66,259
Excess insurance	374,275	657,923
Accrued interest on investments	<u>11,904</u>	<u>12,698</u>
Total current assets	8,666,395	7,471,246
Noncurrent assets - Investments (Notes 3 and 4)	<u>2,775,599</u>	<u>3,035,813</u>
Total assets	11,441,994	10,507,059
Liabilities		
Current liabilities:		
Loss and loss adjustment expense reserves (Note 5)	1,294,283	1,087,753
Accrued liabilities	91,069	56,748
Unearned premiums and membership fees	1,678,599	1,633,847
Reinsurance payable (Note 6)	<u>351,242</u>	<u>265,849</u>
Total current liabilities	3,415,193	3,044,197
Noncurrent liabilities - Losses and loss adjustment expense reserves - Net of current portion (Note 5)	<u>1,088,283</u>	<u>809,474</u>
Total liabilities	4,503,476	3,853,671
Net Position - Unrestricted	<u><u>\$ 6,938,518</u></u>	<u><u>\$ 6,653,388</u></u>

Ohio School Plan

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue		
Earned premiums and membership fees	\$ 15,851,054	\$ 15,496,990
Reinsurance premiums ceded (Note 6)	<u>(9,972,365)</u>	<u>(9,736,452)</u>
Total operating revenue	5,878,689	5,760,538
Operating Expenses		
Losses and loss adjustment expense (Note 5)	1,651,486	1,188,983
Directors' and officers' coverage	29,791	28,758
Commission expense	725,297	710,472
General and administrative expenses:		
Pollution insurance	121,747	117,302
Professional fees	180,607	146,894
Directors' travel and meetings	10,464	9,458
Licenses and fees	1,290	19,197
Plan marketing fees	150,000	150,000
Management fees	2,175,889	2,131,416
Other	<u>7,108</u>	<u>30,476</u>
Total operating expenses	<u>5,053,679</u>	<u>4,532,956</u>
Operating Income	825,010	1,227,582
Nonoperating Revenue (Expense)		
Interest and dividend income	37,584	21,313
Realized and unrealized gain on investments	72,536	47,152
Distributions to members	<u>(650,000)</u>	<u>-</u>
Total nonoperating (expense) revenue	<u>(539,880)</u>	<u>68,465</u>
Change in Net Position	285,130	1,296,047
Net Position - Beginning of year	<u>6,653,388</u>	<u>5,357,341</u>
Net Position - End of year	<u><u>\$ 6,938,518</u></u>	<u><u>\$ 6,653,388</u></u>

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Receipts from member premiums	\$ 15,901,433	\$ 15,675,151
Loss and loss adjustment expense paid	(1,166,147)	(1,165,643)
Payments to reinsurers - Net	(9,603,324)	(8,986,125)
Payments for expenses	<u>(3,367,872)</u>	<u>(3,635,161)</u>
Net cash provided by operating activities	1,764,090	1,888,222
Cash Flows from Noncapital Financing Activities - Distributions to members	(650,000)	-
Cash Flows from Investing Activities		
Interest income received	110,914	67,016
Purchase of investment	(10,733,557)	(2,353,285)
Proceeds from sale of investments	<u>5,402,191</u>	<u>2,689,958</u>
Net cash (used in) provided by investing activities	<u>(5,220,452)</u>	<u>403,689</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(4,106,362)	2,291,911
Cash and Cash Equivalents - Beginning of year	<u>6,469,109</u>	<u>4,177,198</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 2,362,747</u></u>	<u><u>\$ 6,469,109</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 825,010	\$ 1,227,582
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Excess insurance receivable	283,648	582,862
Trade receivable	5,627	180,619
Losses and loss adjustment expense reserves	485,339	23,340
Reinsurance payable	85,393	167,465
Unearned premiums and membership fees	44,752	(2,458)
Accrued liabilities	<u>34,321</u>	<u>(291,188)</u>
Net cash provided by operating activities	<u><u>\$ 1,764,090</u></u>	<u><u>\$ 1,888,222</u></u>

December 31, 2017 and 2016

Note 1 - Nature of Business

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 281 participating members as of December 31, 2017.

The Plan was established to provide property, liability, automobile, violence, cyber, 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.

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 and distributions to members 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 \$1,040,361 and \$1,013,844 for the years ended December 31, 2017 and 2016, 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.

December 31, 2017 and 2016

Note 1 - Nature of Business (Continued)

The Plan is composed exclusively of Ohio public educational entities and county 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.

Note 2 - Significant Accounting Policies

Cash and Cash Equivalents

The Plan considers all liquid securities with an original maturity of 90 days or less when purchased to be cash equivalents. Cash and cash equivalents consist of an operating checking account, commercial paper, and a money market fund.

Investments

Investments consist of U.S. government agency bonds, U.S. Treasury securities, certificates of deposit, and commercial paper with maturities greater than three months from date of purchase and are stated at fair value based on quoted market prices. 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.

Policy Acquisition Costs

Policy acquisition costs, which include agent commissions and certain other administration and underwriting expenses, are expensed as incurred. Agent commissions are 5 percent to 10 percent of gross premiums written, amounting to \$725,297 and \$710,472 for the years ended December 31, 2017 and 2016, respectively.

Loss and Loss Adjustment Expense Reserves

Loss 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. Premium deficiency is defined as the amount by which expected claims costs (including IBNR) and all expected claims adjustment expenses exceed related unearned premiums. The Plan has determined that a premium deficiency does not exist. In making this determination, management has taken into consideration anticipated investment income. 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.

December 31, 2017 and 2016

Note 2 - Significant Accounting Policies (Continued)

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 \$2,901,186 and \$2,841,888 for 2017 and 2016, 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.

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. Accordingly, no provision for income taxes is reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist relating to the reserve for losses and loss adjustment expense reserves as described in Note 5.

Note 3 - Deposits and Investments

The Plan has established an investment policy, and the fundamental objectives are as follows:

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 40 percent of the total investment portfolio available for investment and written repurchase agreements with eligible financial institutions); and certificates of deposit. All debt securities must be rated investment grade by a securities rating organization approved by the Securities and Exchange Commission. Money market mutual funds must have a quality rating of AAA or above.

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

December 31, 2017 and 2016

Note 3 - Deposits and Investments (Continued)

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 in the Plan's name. RedTree Investments 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 \$2,362,747 and \$6,469,109 at December 31, 2017 and 2016, 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 deposit policy for custodial credit risk. The Plan believes that due to the dollar amounts 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 funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Plan maintains balances in its deposit accounts to adequately cover current operating and claim payment expenses. At December 31, 2017 and 2016, the Plan had \$130,445 and \$2,389,275, respectively, of deposits that were uninsured and uncollateralized.

Investments

Investments are reported at fair value. At December 31, 2017 and 2016, the Plan had the following investments:

Investment Type	Fair Value	
	2017	2016
U.S. government agency bonds	\$ 1,584,582	\$ 1,845,131
U.S. Treasury securities	1,453,124	-
Commercial paper	4,155,879	-
Certificates of deposit	1,438,851	1,455,939
Cash equivalent - Commercial paper	124,924	2,384,896
Total	<u>\$ 8,757,360</u>	<u>\$ 5,685,966</u>

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, 2017 and 2016, 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.

December 31, 2017 and 2016

Note 3 - Deposits and Investments (Continued)

At December 31, 2017 and 2016, the Plan had the following investments subject to interest rate risk:

Investment	2017		2016	
	Fair Value	Weighted-average Maturity (Years)	Fair Value	Weighted-average Maturity (Years)
U.S. government agency bonds	\$ 1,584,582	2.01	\$ 1,845,131	1.49
U.S. Treasury securities	1,453,124	0.51	-	
Commercial paper	4,155,879	0.47	-	
Certificate of deposit	1,438,851	2.28	1,455,939	1.60
Money market funds (debt)	5,522	N/A	4,379	N/A
Cash equivalent - Commercial paper	124,924	N/A	2,384,896	N/A
Total	<u>\$ 8,762,882</u>		<u>\$ 5,690,345</u>	

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. Treasury securities, U.S. government agency bonds, and certificates of deposit that have a credit quality rating of AAA as of December 31, 2017 and 2016. 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, 2017, the Plan had investments of \$182,165 in Federal Home Loan Bank, \$307,201 in Freddie Mac, \$1,095,216 in Fannie Mae, \$4,280,803 in commercial paper, and \$1,438,852 in certificates of deposit; these investments represent 2 percent, 4 percent, 12 percent, 50 percent, and 17 percent, respectively, of the Plan's total investments. At December 31, 2016, the Plan had investments of \$182,795 in Federal Home Loan Bank, \$265,257 in Freddie Mac, \$1,397,079 in Fannie Mae, and \$1,455,939 in certificates of deposit; these investments represent 6 percent, 8 percent, 42 percent, and 44 percent, respectively, of the Plan's total investments.

Note 4 - Fair Value Measurements

As of December 31, 2016, the Plan adopted and retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

December 31, 2017 and 2016

Note 4 - Fair Value Measurements (Continued)

The Plan has the following recurring fair value measurements as of December 31, 2017 and 2016:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Debt securities:				
U.S. government agency bonds	\$ -	\$ 1,584,582	\$ -	\$ 1,584,582
U.S. Treasury securities	-	1,453,124	-	1,453,124
Certificates of deposit	-	1,438,851	-	1,438,851
Money market funds (debt)	-	5,522	-	5,522
Commercial paper	-	4,155,879	-	4,155,879
Cash equivalent - Commercial paper	-	124,924	-	124,924
Total investments by fair value level	\$ -	\$ 8,762,882	\$ -	\$ 8,762,882

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Debt securities:				
U.S. government agency bonds	\$ -	\$ 1,845,131	\$ -	\$ 1,845,131
Certificates of deposit	-	1,455,939	-	1,455,939
Money market funds (debt)	-	4,379	-	4,379
Cash equivalent - Commercial paper	-	2,384,896	-	2,384,896
Total investments by fair value	\$ -	\$ 5,690,345	\$ -	\$ 5,690,345

The fair value of U.S. government agency bonds, U.S. Treasury securities, money market funds (debt), commercial paper, and certificates of deposit at December 31, 2017 and 2016 was determined primarily based on Level 2 inputs. The Plan estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

December 31, 2017 and 2016

Note 5 - 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, 2017, 2016, and 2015 is as follows:

	2017	2016	2015
Unpaid losses and loss adjustment expenses - Beginning of fiscal year	\$ 1,897,227	\$ 1,873,887	\$ 1,209,396
Incurred losses and loss adjustment expenses:			
Provisions for insured events of the current fiscal year	1,940,857	1,878,662	1,810,574
Change in provision for insured events of prior fiscal years	<u>(289,371)</u>	<u>(689,679)</u>	<u>3,361</u>
Total incurred losses and loss adjustment expenses	1,651,486	1,188,983	1,813,935
Payments:			
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	1,158,568	1,003,189	1,018,978
Losses and loss adjustment expenses attributable to insured events of the prior fiscal year	<u>7,579</u>	<u>162,454</u>	<u>130,466</u>
Total payments	<u>1,166,147</u>	<u>1,165,643</u>	<u>1,149,444</u>
Unpaid losses and loss adjustment expenses - End of fiscal year	<u>\$ 2,382,566</u>	<u>\$ 1,897,227</u>	<u>\$ 1,873,887</u>

Reserves for losses and loss adjustment expense attributable to covered events in prior years changed as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is generally a result of ongoing analysis of recent development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 6 - 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 \$6,000,000 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 \$700,000,000 per occurrence. The Plan has the ability to access additional property reinsurance capacity if needed.

Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first \$1 million layer of casualty reinsurance. The corridor includes losses paid between 65 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.

Note 6 - Reinsurance Coverage (Continued)

Effective July 1, 2007, the Plan began retaining 100 percent of the first \$150,000 layer of property reinsurance, except for boiler equipment breakdown coverage for which the Plan retains 100 percent of the first \$25,000 layer. 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. Effective July 1, 2014, the Plan's annual loss aggregate under the property treaty is \$1.95 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 to 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, 2017 and 2016 totaled \$9,972,365 and \$9,736,452, respectively.

Note 7 - 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

December 31, 2017

Claims Development Information

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

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, premium revenue coded to excess insurers, and net earned premium revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Plan, including overhead and claims expense not allocable to individual claims.
3. This line shows the Plan's gross incurred losses and allocated loss adjustment expenses, losses assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by excess insurers as of the end of the current year for each accident year.
6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest re-estimated net incurred 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 tables show data for successive policy years.

Ohio School Plan

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

Policy Year Ended December 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required premiums and investment income:										
Earned	\$ 9,237,992	\$ 8,316,306	\$ 8,626,386	\$ 9,966,003	\$ 12,155,145	\$ 14,063,204	\$ 14,418,218	\$ 15,492,547	\$ 15,565,455	\$ 15,961,174
Ceded	5,812,842	5,133,685	5,428,996	6,398,083	8,012,356	9,153,269	8,525,904	9,788,944	9,736,452	9,972,365
Net	3,425,150	3,182,621	3,197,390	3,567,920	4,142,789	4,909,935	5,892,314	5,703,603	5,829,003	5,988,809
2. Expenses other than allocated loss adjustment expenses	2,018,781	1,808,421	1,898,243	2,133,343	2,489,281	2,835,610	3,046,251	3,226,205	3,343,973	3,402,193
3. Estimated losses and loss adjustment expenses - End of policy year:										
Incurred	1,562,028	1,286,439	1,634,276	2,301,660	2,291,714	2,377,033	2,522,997	2,651,960	3,268,551	2,725,013
Ceded	1,562,028	1,286,439	1,538,278	2,248,233	2,291,714	2,377,033	2,522,997	2,651,960	3,099,723	2,706,746
Net	-	-	95,998	53,427	-	-	-	-	168,828	18,267
4. Cumulative paid losses and loss adjustment expenses:										
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 expenses	2,399,270	1,831,795	2,430,735	3,557,338	3,888,875	2,685,645	3,093,352	4,759,365	5,878,475	2,706,746
6. Re-estimated incurred losses and loss adjustment expenses:										
End of policy year	-	-	95,998	53,427	-	-	-	-	168,828	18,267
One year later	178,843	3,917	169,135	224,924	141,089	271,797	285,139	291,411	291,718	-
Two years later	-	-	169,135	224,924	6,921	-	-	291,411	-	-
Three years later	-	-	169,135	120,214	-	-	-	-	-	-
Four years later	-	-	-	78,554	-	-	-	-	-	-
Five years later	-	-	-	-	-	-	-	-	-	-
Six years later	-	-	-	-	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated incurred losses and loss adjustment expenses subsequent to initial policy year end	-	-	(95,998)	(53,427)	-	-	-	291,411	122,890	-

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 on December 31 and the policy year ends on June 30. Required contributions and investment income and unallocated expenses are reported on a fiscal year and include both lines of coverage.

Ohio School Plan

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

Policy Year Ended December 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required premiums and investment income:										
Earned	\$ 9,237,992	\$ 8,316,306	\$ 8,626,386	\$ 9,966,003	\$ 12,155,145	\$ 14,063,204	\$ 14,418,218	\$ 15,492,547	\$ 15,565,455	\$ 15,961,174
Ceded	5,813,842	5,133,685	5,428,996	6,398,083	8,012,356	9,153,269	8,525,904	9,788,944	9,736,452	9,972,365
Net	3,424,150	3,182,621	3,197,390	3,567,920	4,142,789	4,909,935	5,892,314	5,703,603	5,829,003	5,988,809
2. Expenses other than allocated loss adjustment expenses	2,018,781	1,808,421	1,898,243	2,133,343	2,489,281	2,835,610	3,046,251	3,226,205	3,343,973	3,402,193
3. Estimated losses and loss adjustment expenses - End of policy year:										
Incurred	1,361,738	1,985,553	6,457,211	1,656,291	2,068,345	2,003,502	3,191,209	2,121,995	1,292,293	2,009,898
Ceded	611,738	1,185,553	5,457,211	456,291	672,083	581,439	992,118	393,911	29,717	59,898
Net	750,000	800,000	1,000,000	1,200,000	1,396,262	1,422,063	2,199,091	1,728,084	1,262,576	1,950,000
4. Cumulative paid losses and loss adjustment expenses:										
End of policy year	750,000	800,000	1,000,000	1,200,000	1,127,916	673,706	1,622,067	975,252	779,123	1,281,685
One year later	750,000	800,000	1,000,000	1,200,000	1,083,409	776,047	1,724,758	1,124,997	805,176	-
Two years later	750,000	800,000	1,000,000	1,200,000	1,097,187	776,047	1,750,000	1,097,476	-	-
Three years later	750,000	800,000	1,000,000	1,200,000	1,124,962	776,047	1,750,000	-	-	-
Four years later	750,000	800,000	1,000,000	1,200,000	1,083,365	776,047	-	-	-	-
Five years later	750,000	800,000	1,000,000	1,200,000	1,092,413	-	-	-	-	-
Six years later	750,000	800,000	1,000,000	1,200,000	-	-	-	-	-	-
Seven years later	750,000	800,000	1,000,000	-	-	-	-	-	-	-
Eight years later	750,000	800,000	-	-	-	-	-	-	-	-
Nine years later	750,000	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded losses and expenses	494,305	1,055,963	4,768,443	429,657	732,497	454,536	997,971	278,317	29,717	59,898
6. Re-estimated incurred losses and loss adjustment expenses:										
End of policy year	750,000	800,000	1,000,000	1,200,000	1,396,262	1,422,063	1,750,000	1,728,084	1,262,576	1,950,000
One year later	750,000	800,000	1,000,000	1,200,000	1,114,899	778,356	1,750,000	1,155,776	821,607	-
Two years later	750,000	800,000	1,000,000	1,200,000	1,097,266	776,047	1,750,000	1,188,300	-	-
Three years later	750,000	800,000	1,000,000	1,200,000	1,125,041	776,047	1,750,000	-	-	-
Four years later	750,000	800,000	1,000,000	1,200,000	1,083,441	776,047	-	-	-	-
Five years later	750,000	800,000	1,000,000	1,200,000	1,092,489	-	-	-	-	-
Six years later	750,000	800,000	1,000,000	1,200,000	-	-	-	-	-	-
Seven years later	750,000	800,000	1,000,000	-	-	-	-	-	-	-
Eight years later	750,000	800,000	-	-	-	-	-	-	-	-
Nine years later	750,000	-	-	-	-	-	-	-	-	-
7. Decrease in estimated incurred losses and loss adjustment expenses subsequent to initial policy year end	-	-	-	-	(303,773)	(646,016)	(449,091)	(539,784)	(440,969)	-

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 on December 31 and the policy year ends on June 30. Required contributions and investment income and unallocated expenses are reported on a fiscal year and include both lines of coverage.

Required Supplemental Information
Statement of Reconciliation of Net Losses and Loss Adjustment Expense Liability

By Contract Type
Fiscal Years Ended December 31

	2017			2016			2015		
	Casualty	Property	Total	Casualty	Property	Total	Casualty	Property	Total
Net Losses and Loss Adjustment Expense - Beginning of fiscal year	\$ 589,669	\$ 1,307,558	\$ 1,897,227	\$ 523,141	\$ 1,350,746	\$ 1,873,887	\$ 545,174	\$ 664,222	\$ 1,209,396
Incurring losses and loss adjustment expenses:									
Provision for insured events of the current fiscal year	18,267	1,922,590	1,940,857	168,828	1,709,834	1,878,662	-	1,810,574	1,810,574
Change in provision for insured events of prior fiscal years	107,493	(396,864)	(289,371)	(102,300)	(587,379)	(689,679)	(22,033)	25,394	3,361
Total incurred losses and loss adjustment expenses	125,760	1,525,726	1,651,486	66,528	1,122,455	1,188,983	(22,033)	1,835,968	1,813,935
Payments:									
Losses and loss adjustment expense related to insured events of the current year	-	1,158,568	1,158,568	-	1,003,189	1,003,189	-	1,018,978	1,018,978
Losses and loss adjustment expense related to insured events of prior fiscal years	-	7,579	7,579	-	162,454	162,454	-	130,466	130,466
Total payments	-	1,166,147	1,166,147	-	1,165,643	1,165,643	-	1,149,444	1,149,444
Unpaid Claims and Claims Adjustment Expenses - End of fiscal year	\$ 715,429	\$ 1,667,137	\$ 2,382,566	\$ 589,669	\$ 1,307,558	\$ 1,897,227	\$ 523,141	\$ 1,350,746	\$ 1,873,887

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 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 basic financial statements of Ohio School Plan (the "Plan"), which comprise the statement of net position as of December 31, 2017 and the related statements of revenue, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

To Management and the Board of Directors
Ohio School Plan

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 Plan'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.

April 17, 2018

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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
JUNE 12, 2018**