

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.
VAN WERT COUNTY, OHIO**

**FINANCIAL STATEMENT
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2015***

DON REGULA, TREASURER



Dave Yost • Auditor of State

Board of Trustees
Midwest Pool Risk Management Agency
209 South Blackhoff
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of the Midwest Pool Risk Management Agency, Van Wert County, prepared by Julian & Grube, Inc., for the audit period December 1, 2014 through November 30, 2015. 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 Midwest Pool Risk Management Agency is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 24, 2016

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**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.
VAN WERT COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Midwest Pool Risk Management Agency, Inc.
Van Wert County
209 South Blackhoff
Wapakoneta, Ohio 45895

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2015.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about the financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Midwest Pool Risk Management Agency, Inc.'s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statement, the Midwest Pool Risk Management Agency, Inc. prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Midwest Pool Risk Management Agency does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Midwest Pool Risk Management Agency, Inc. as of November 30, 2015, or changes in financial position thereof for the fiscal year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and investment balance of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of November 30, 2015, and its combined cash receipts and disbursements for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2016, on our consideration of the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 23, 2016

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH AND INVESTMENTS BALANCE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	2015
Receipts:	
Receipts from members	\$ 1,525,351
Refund from Public Entity Risk Consortium	88,225
Investment income	947
Total receipts	1,614,523
Disbursements:	
Payments to third-party administrator:	
Claims payments	331,289
Insurance premiums:	
Public Entity Risk Consortium	1,126,161
Other	70,844
Professional fees	9,150
Miscellaneous other costs	1,808
Total disbursements	1,539,252
Excess of receipts over disbursements	75,271
Beginning fund cash and investments balance	961,174
Ending fund cash and investments balanc	\$ 1,036,445

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio (the “Agency”) is a joint self-insurance program Agency established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Agency is a shared risk pool as defined by Government Accounting Standards Board Statement No. 66, “Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62”. This Statement amends Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by Government Accounting Standards Board Statement No. 30, “Risk Financing Omnibus”, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. It was formed to carry out a cooperative program for the provisions and administration of a self-insurance pool to provide coverage for automobile liability, general liability, crime and property, automobile physical damage and public official’s liability in accordance with the Agency’s amended and restated agreement. In addition to the self-insurance pool, the Agency provides risk management services, loss prevention programs and other educational materials. The members of the Agency include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby and Van Wert.

The Assembly is the legislative body (the “Board of Trustees”) of the Agency consisting of each member’s board of county commissioners. Officers of the Assembly are elected from the Board of Trustees for a one eleven month term. The Board of Trustees acts as the managerial body of the Agency.

Member premiums are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Agency and to create adequate reserves for claims and allocated loss adjustment expenses.

Under the terms of membership, should annual member premiums not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Agency and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

For claims, the Agency pays the first \$100,000 of loss per occurrence (the “Self-insured retention”). Amounts over the Agency deductible and the self-insured retention amount of \$100,000, are payable by a commercial insurance policy subject to scheduled limits at each location per a statement of values on file with the company.

Effective December 1, 2005, the Agency joined a Public Entity Risk Consortium (PERC) (super pool) which consists of seven (7) pool risk groups including the Agency. Under this program the Agency continues as is, including the \$100,000 self-insurance retention. However, the super pool self-insures amounts in excess of its members’ individual self-insured retention as follows:

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015**

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

Property \$150,000 per occurrence
Liability \$400,000 per occurrence
Stop Loss \$1,650,000 maximum per year

The Agency uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurance, although it does not discharge the primary liability of the agency as direct insurer of the risks reinsured. The Agency is contingently liable with respect to certain loss coverage, which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

Members may withdraw from the Agency or from any particular benefits program with at least 12 months notice. There were no members that withdrew from the Agency during the period from December 1, 2014 through November 30, 2015.

All administrative costs and expenses incurred for the maintenance of the Agency are paid through the benefit pool account balances through November 30, 2015.

Management believes this financial statement presents all activities for which the Agency is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING AND PRESENTATION

The Agency's financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

B. FUND ACCOUNTING

The Agency maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Agency maintains a general fund to account for its expendable financial resources and related current expenses.

C. BUDGETARY PROCESS

The Agency is not required to follow the budgetary process and has decided not to adopt a formal budget annually as part of their amended and restated agreements.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND INVESTMENTS

Investments are reported as assets and are carried at cost, which approximates fair value. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses are recorded as receipts or disbursements when a sale occurs.

NOTE 3 - EQUITY IN CASH AND INVESTMENTS

The Agency maintains accounts used by the fund. The Agency is not required by law to have an investment policy.

The carrying amount of the Agency's cash and investments at November 30, 2015 was as follows:

	<u>2015</u>
Demand deposits	\$ 848,249
The Citizens Bank:	
Certificate of Deposit	<u>188,196</u>
 Total deposits and investments	 <u><u>\$ 1,036,445</u></u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

NOTE 4 - ADMINISTRATIVE FEES

The Agency has contracted with Arthur J. Gallagher & Co. to provide various management, underwriting, claim adjustments and loss control services. The fees, are calculated based on periodic contributions and are deferred and charged to periodic expenses on a straight-line basis over the related service period.

NOTE 5 - RISK MANAGEMENT

The Agency contracted with a third-party administrator, Arthur J. Gallagher & Co. to defend and process claims incurred by its members. The members contribute monthly premiums into the self-insurance risk pool fund of the Agency. The Treasurer approves payments to the third-party administrator for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Agency members. Besides the standard monthly contributions, the Agency may extend an assessment to each member.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015**

NOTE 5 - RISK MANAGEMENT - (Continued)

Member counties that withdraw from the Agency are obligated for payment of any negative balance in their account and the remaining claims of any of its eligible members and dependents are the responsibility of each individual member upon withdrawal from the Agency.

NOTE 6 - EXPECTED LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSE

The Agency receives an annual actuarial report that estimates an amount for the runoff liability (expected loss and allocated loss adjustment expense) for claims incurred, but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 had been satisfied for the fiscal year ended November 30, 2015. The reported reserve fund available to pay the IBNR claims and the IBNR claim liability per the actuarial report at November 30, 2015 is as follows:

Cash and investments	\$ 1,036,445
IBNR actuarial liability	<u>(502,434)</u>
Excess (deficiency) funds	<u>\$ 534,011</u>



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Midwest Pool Risk Management Agency, Inc.
Van Wert County
209 South Blackhoof
Wapakoneta, Ohio 45895

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2015, and the related notes to the financial statements and have issued our report thereon dated May 23, 2016 wherein we noted the Midwest Pool Risk Management Agency, Inc. followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Midwest Pool Risk Management Agency, Inc.'s financial statement. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Midwest Pool Risk Management Agency, Inc.

Compliance and Other Matters

As part of reasonably assuring whether the Midwest Pool Risk Management Agency, Inc.'s financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Midwest Pool Risk Management Agency, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
May 23, 2016



Dave Yost • Auditor of State

MIDWEST POOL RISK MANAGEMENT AGENCY

VAN WERT 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
JULY 7, 2016**