

**MIDWEST POOL RISK MANAGEMENT AGENCY**

**VAN WERT COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

***(AUDITED)***

***FOR THE YEAR ENDED***

***NOVEMBER 30, 2017***





# Dave Yost • Auditor of State

Board of Trustees  
Midwest Pool Risk Management Agency, Inc.  
209 South Blackoff  
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of the Midwest Pool Risk Management Agency, Inc., Van Wert County, prepared by Julian & Grube, Inc., for the audit period December 1, 2016 through November 30, 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 Midwest Pool Risk Management Agency, Inc. 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 31, 2018

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**MIDWEST POOL RISK MANAGEMENT AGENCY  
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  
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 statements of the Midwest Pool Risk Management Agency, Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the Midwest Pool Risk Management Agency's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements 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 statements are free from material misstatement.

An audit requires obtaining evidence about 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's preparation and fair presentation of the financial statements 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's internal control. Accordingly, we express no such 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 overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midwest Pool Risk Management Agency, Van Wert County, Ohio, as of November 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and *Loss Development Information*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2018, on our consideration of the Midwest Pool Risk Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
May 7, 2018



## MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

The discussion and analysis of the Midwest Pool Risk Management Agency, Inc.'s (the "Agency") financial performance provides an overall review of the Agency's financial activities for the fiscal year ended November 30, 2017. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Agency's financial performance.

#### Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- For 2017, the total net position of the Agency increased \$92,248, which represents a 11.62% increase from November 30, 2016.
- The Agency has hired an independent actuary, Financial Risk Analysts, LLC, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves was \$494,347 at November 30, 2017.
- The Agency had operating revenues of \$1,687,070 and operating expenses of \$1,605,672 for fiscal year 2017. The Agency had \$10,850 in nonoperating revenue, net which includes \$854 in interest revenue, \$117,188 in dividends from the Public Entity Risk Consortium (PERC) and \$107,192 in PERC dividends distributed to its members. Operating income and the change in net position for the fiscal year were \$81,398 and \$92,248, respectively.

#### Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Agency's financial activities. The *statement of net position* and the *statement of revenues, expenses, and changes in net position* provide information about the activities of the Agency, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about the Agency's short-term cash flows needs to support operations.

#### Reporting the Agency Financial Activities

##### ***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did the Agency perform financially during fiscal year 2017?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. This basis of accounting considers all current year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Agency's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Agency as a whole, the *financial position* of the Agency has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Agency's statement of net position and statement of revenues, expenses and changes in net position can be found on pages 7-8 of this report. The statement of cash flows provides information about how the Agency's finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-17 of this report.

***Required Supplementary Information***

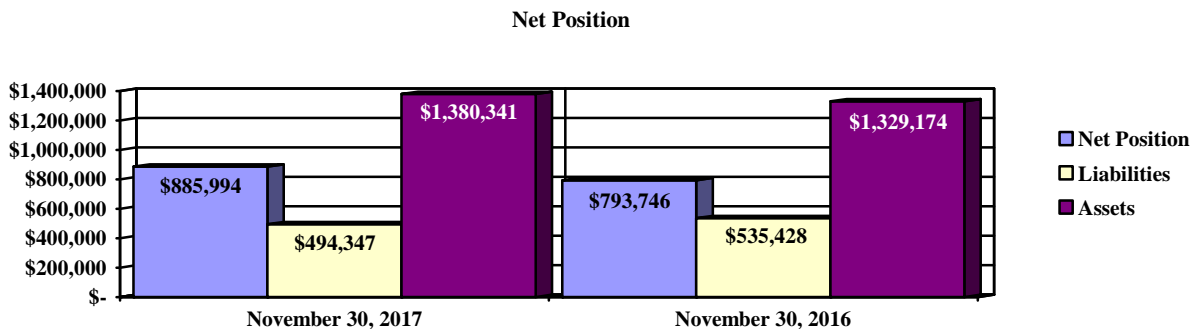
Ten years of loss development information can be found on pages 19-23 of this report.

**Net Position and Changes in Net Position**

The table below provides a summary of the Agency's net position at November 30, 2017 and 2016.

	2017	2016
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,081,156	\$ 1,040,143
Investments	181,997	181,687
Receivables:		
Accounts	-	152
Due from PERC	117,188	107,192
Total assets	1,380,341	1,329,174
<b><u>Liabilities:</u></b>		
Due to members	-	76,539
Loss and loss adjustment expense reserves	494,347	458,889
Total liabilities	494,347	535,428
<b><u>Net Position:</u></b>		
Unrestricted	\$ 885,994	\$ 793,746

The Agency maintained the approximate same level of investments in 2017 as in 2016 while cash and cash equivalents increased primarily due to fiscal 2017 operations. The Agency's investments reported on the statement of net position consist of nonnegotiable certificates of deposit. Receivables consist of the dividend due from PERC for fiscal year 2017. This dividend will be received by the Agency in fiscal year 2018. The loss and loss adjustment expense reserve at fiscal year-end is provided by Financial Risk Analysts, LLC, the Agency's independent actuary. Net position at November 30, 2017 was \$885,994, all of which is considered unrestricted. The chart below shows a breakdown of the Agency's assets, liabilities and net position for 2017:



**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

The table below shows the changes in net position for fiscal year 2017 and 2016.

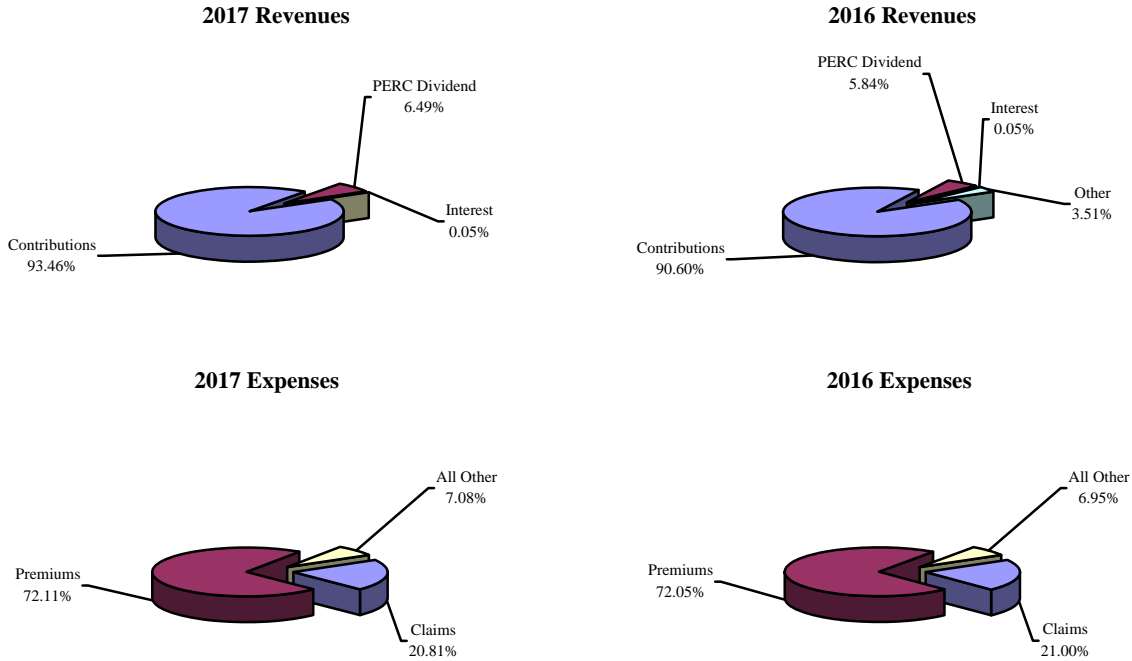
	2017	2016
<b><u>Operating revenues:</u></b>		
Member contributions	\$ 1,687,070	\$ 1,662,431
Other	-	64,320
Total operating revenues	1,687,070	1,726,751
<b><u>Operating expenses:</u></b>		
Loss and loss adjustment expenses, net	356,446	352,783
Insurance premiums:		
Public Entity Risk Consortium	1,163,926	1,139,261
Other	71,143	71,021
Professional fees	12,187	9,564
Miscellaneous expenses	1,970	2,566
Total operating expenses	1,605,672	1,575,195
Operating income	81,398	151,556
<b><u>Non-operating revenues (expense):</u></b>		
Investment income	854	987
Dividend from PERC	117,188	107,192
PERC dividend distributed to members	(107,192)	(104,492)
Total non-operating revenues (expense)	10,850	3,687
Change in net position	92,248	155,243
Net position, December 1	793,746	638,503
Net position, November 30	\$ 885,994	\$ 793,746

Member contribution revenue remained comparable to the fiscal year 2017. The Agency's two largest areas of expenses are (1) loss and loss adjustment expenses, net and (2) insurance premiums to PERC. These expenses represent 22.20% and 72.49%, respectively, of total operating expenses for fiscal year 2017. Fluctuations in these expenses will result from claims activity and insurance costs established by PERC. Overall, net position at November increased by \$92,248 from the prior year as member premiums were sufficient to support claims and administrative expenses during the fiscal year.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**

The chart below reflects the percentage of the revenues and expenses in fiscal years 2017 and 2016:



**Capital Assets and Debt Administration**

At November 30, 2017, the Agency had no capital assets or outstanding debt obligations.

**Current Financial Related Activities**

The Agency is committed to providing the advantages of obtaining insurances and to providing a formalized, jointly administered self-insurance pool its members. The Agency also provides risk management services, loss prevention programs and other educational materials to its members. The Agency is committed to protecting the financial interests of its members and will continue to monitor claims activity and insurance costs to best meet the needs of its members.

**Contacting the Agency’s Financial Management**

This financial report is designed to provide interested users and our membership with a general overview of the Agency’s finances and to show the Agency’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Don Regula, Treasurer, Auglaize County Commissioner’s Office, 209 S. Blackhoof Street, Room 201, Wapakoneta, Ohio 45895 or by calling (419) 739-6710.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

STATEMENT OF NET POSITION  
NOVEMBER 30, 2017

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 1,081,156
Investments . . . . .	181,997
Receivables:	
Due from Public Entity Risk Consortium. . . . .	<u>117,188</u>
Total assets . . . . .	<u>1,380,341</u>
<b>Liabilities:</b>	
Current liabilities:	
Loss and loss adjustment expense reserves (see Note 6). . . . .	<u>494,347</u>
Total liabilities . . . . .	<u>494,347</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>\$ 885,994</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

<b>Operating revenues:</b>	
Member contributions . . . . .	\$ 1,687,070
<b>Operating expenses:</b>	
Loss and loss adjustment expenses, net (see Note 7) . . . . .	356,446
Insurance premiums:	
Public Entity Risk Consortium . . . . .	1,163,926
Other . . . . .	71,143
Professional fees. . . . .	12,187
Miscellaneous expenses . . . . .	<u>1,970</u>
Total operating expenses. . . . .	<u>1,605,672</u>
Operating income. . . . .	<u>81,398</u>
<b>Non-operating revenues (expense):</b>	
Investment income . . . . .	854
Dividend from Public Entity Risk Consortium. . . . .	117,188
Public Entity Risk Consortium dividend distributed to members . . . . .	<u>(107,192)</u>
Total non-operating revenues (expense) . . . . .	<u>10,850</u>
Change in net position. . . . .	92,248
<b>Net position, December 1</b> . . . . .	<u>793,746</u>
<b>Net position, November 30</b> . . . . .	<u><u>\$ 885,994</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

<b>Cash flows from operating activities:</b>	
Cash received from member contributions . . . . .	\$ 1,610,531
Cash received from other operations . . . . .	152
Cash payments for covered losses . . . . .	(320,988)
Cash payments for Public Entity Risk Consortium premiums . . . . .	(1,163,926)
Cash payments for other premiums . . . . .	(71,143)
Cash payments for professional services . . . . .	(12,187)
Cash payments for miscellaneous expenses . . . . .	(1,970)
	40,469
 <b>Cash flows from noncapital financing activities:</b>	
Dividend received from Public Entity Risk Consortium . . . . .	107,192
Public Entity Risk Consortium dividend distributed to members . . . . .	(107,192)
	-
 <b>Cash flows from investing activities:</b>	
Interest received. . . . .	544
	544
Net cash provided by investing activities . . . . .	544
Net increase in cash and cash equivalents . . . . .	41,013
<b>Cash and cash equivalents, December 1 . . . . .</b>	<b>1,040,143</b>
<b>Cash and cash equivalents, November 30 . . . . .</b>	<b>\$ 1,081,156</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 81,398
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable . . . . .	152
(Decrease) in due to members . . . . .	(76,539)
Increase in loss and loss adjustment expense reserves . . . . .	35,458
	40,469
Net cash provided by operating activities . . . . .	<b>\$ 40,469</b>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio (the "Agency") is a legally separate entity organized under Ohio Revised Code (ORC) 1702.01. The Agency was formed pursuant to Chapter 2744.081 of the ORC for the public purpose of enabling the subscribing political subdivisions to obtain insurance and to provide a formalized, jointly administered self-insurance pool for its members. The Agency provides 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) (excess 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:

Property	\$150,000 per occurrence
Liability	\$400,000 per occurrence
Stop Loss	\$1,575,000 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, 2016 through November 30, 2017.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

**NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)**

All administrative costs and expenses incurred for the maintenance of the Agency are paid through the pool account balances through November 30, 2017.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Agency are not misleading. On this basis, no governmental organizations or agencies other than the Agency itself are included in the financial reporting entity.

**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 revenues and expenses. The Agency uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Agency utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

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

The Agency's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the Agency's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from charges to members for insurance premiums. Operating expenses for the Agency include the payment of loss and loss adjustment expenses, insurance premiums, professional fees and miscellaneous expenses. Non-operating revenues and expenses include investment income, dividend revenue from PERC and PERC dividends distributed to members.

**D. Assets, Liabilities, and Net Position**

***Cash, Cash Equivalents and Investments:***

The Agency maintains demand deposit accounts and non-negotiable certificates of deposits.

For purposes of the statement of cash flows and for reporting on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Agency are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

An analysis of the Agency's cash and investments at fiscal year-end is provided in Note 4.

***Receivables:***

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables in excess of 90 days are evaluated for the ability to collect them and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The Agency's only receivable is a dividend declared by PERC related the fiscal year 2017 that was received by the Agency in fiscal year 2018.

***Loss and loss adjustment expense reserves:***

Provisions for loss reserves and loss adjustment expense reserves are based on information reported by members and are calculated by an actuary. These amounts represent an estimate of reported unpaid claims plus a provision for claims incurred but not reported. Adjustments to this reserve account are charged or credited to expense in the period in which they are made. The Agency's management believes that the estimate of the liability for loss reserves is reasonable; however, actual incurred loss and loss adjustment expense may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and the related loss adjustment expense may vary from the estimated amounts included in the accompanying financial statements. Should the provision for loss reserves be insufficient, supplemental contributions will be assessed to the Agency members. See Note 6 for more information of the Agency's loss and loss adjustment expense reserves.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

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

*Net position:*

Net position is the excess of revenues over expenses during the period in which the Agency has been in existence. If adequate provision has been made for the payment of all claims and expenses of the Agency, the Board of Trustees, at its discretion, may distribute surplus funds to members during that particular year, provided that such members are also members in the year in which the distribution is made. In lieu of distributing surplus funds to the members, the Board may carry forward the surplus to offset annual or supplemental payments in the subsequent fiscal year.

In the event the Agency is terminated, all members of the Agency are obligated for any necessary supplemental payments applicable to the years during which they were members. After all claims and related expenses have been paid or reserves established for the payment of any such claims, any surplus funds will be distributed to members, past or present, who constituted the Agency for that fiscal year.

**E. Budgetary Process**

Under Ohio law, the Agency is not required to follow a budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

**F. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

*Compliance with finance-related legal and contractual provisions:*

The Agency had no material violations of finance-related legal and contractual provisions.

*Change in Accounting Principles:*

For fiscal year 2017, the Agency has implemented GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14" and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Agency.

## MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Agency.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Agency.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Agency.

#### NOTE 4 - DEPOSITS AND INVESTMENTS

##### A. Deposits with Financial Institutions

At November 30, 2017, both the carrying amount of the Agency's deposits and the bank balance of the Agency's deposits, including \$181,997 of nonnegotiable certificates of deposits, was \$1,263,153. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of November 30, 2017, \$437,306 of the Agency's bank balance of \$1,263,153 was covered by the Federal Deposit Insurance Corporation and \$825,847 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Agency's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the ORC, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Agency. The Agency has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Agency to a successful claim by the FDIC.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

The Agency had no investments at November 30, 2017, as defined by GASB.

**C. Reconciliation of Cash and Investment to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of November 30, 2017:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	<u>\$ 1,263,153</u>
 <u>Cash and investments on Statement of Net Position</u>	
Cash and cash equivalents	\$ 1,081,156
Investments	<u>181,997</u>
 Total	 <u>\$ 1,263,153</u>

**NOTE 5 - RISK MANAGEMENT**

The Agency contracted with a third-party administrator, Arthur J. Gallagher Risk Management Services, Inc. to provide management services and Gallagher Bassett Services, Inc. to 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.

Member counties that withdraw or are expelled from the Agency are responsible for any supplementary payments in the same proportion as was their Annual Payment for that year to the Annual Payments of all Members that year for the entire life of the Agency and any later period when claims or expenses need be paid which are attributable to any year of membership when the event out of which the expense or claim occurred.

**NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES**

The Agency established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and related loss adjustment expenses. The claims liability as required by GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", was provided by the Agency's independent actuary, Financial Risk Analysts, LLC.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

**NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES - (Continued)**

Loss and loss adjustment expenses, net and payments for covered losses for 2016 have been reclassified between insured events of the current period and insured events of the prior years to properly reflect the year of the insured event. Total loss and loss adjustment expenses, net and total payments for covered losses claims expenses reported for 2016 remained unchanged. The changes in the aggregate liabilities for the Agency for the fiscal year ended November 30, 2017 and November 30, 2016 follows:

	2017	2016
Unpaid loss and loss adjustment expense reserves, beginning	\$ 458,889	\$ 502,434
<u>Loss and loss adjustment expenses, net:</u>		
Incurred loss and loss adjustment expenses, provision for insured events of the current period	886,456	492,915
(Decrease) in provision for insured events of the prior years	(530,010)	(140,132)
Total loss and loss adjustment expenses, net	356,446	352,783
<u>Payments for covered losses:</u>		
Loss and loss adjustment expenses attributable to insured events of the current year	227,342	198,260
Loss and loss adjustment expenses paid attributable to insured events of prior years	93,646	198,068
Total payments for covered losses	320,988	396,328
Unpaid loss and loss adjustment expense reserves, ending	\$ 494,347	\$ 458,889

**NOTE 7 - LOSS AND LOSS ADJUSTMENT EXPENSES, NET**

For fiscal year 2017, the Agency reported loss and loss adjustment expenses, net of \$356,446. The Agency's independent actuary for fiscal year 2017 was Financial Risk Analysts, LLC.

The \$35,458 increase in the loss and loss adjustment expense reserves from November 30, 2016 to November 30, 2017 is reflected in the fiscal year 2017 loss and loss adjustment expenses, net as reported on the Statement of Revenues, Expenses and Changes in Net Position. For fiscal year 2017, actual claims payments for covered losses were \$320,988 as reported on the Statement of Cash Flows.

**NOTE 8 - CONTINGENCIES**

In the normal course of business, the Agency is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
TEN-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Agency's premium revenue and investment income compares to related costs of loss and other expenses assumed by the Agency as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Agency including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Agency's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) 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 losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the fiscal years ended November 30, 2008 through 2017 is provided on the next page.

**MIDWEST POOL RISK MANAGEMENT, INC.**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
TEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 <sup>(1)</sup></u>
<b>1. Premiums and investment income</b>	\$ 1,305,792	\$ 1,420,117	\$ 1,394,602	\$ 1,617,254	\$ 1,189,225
<b>2. Unallocated expenses</b>	977,805	1,020,669	1,055,524	1,062,882	1,069,735
<b>3. Estimated losses incurred and expense, end of year</b>	659,540	939,936	282,898	286,439	376,655
<b>4. Paid, cumulative as of:</b>					
End of accident year	133,286	201,366	88,921	139,406	144,511
One year later	204,039	294,149	275,346	232,707	186,080
Two years later	205,679	300,417	328,566	375,034	317,227
Three years later	278,802	300,465	338,805	402,777	338,929
Four years later	278,802	300,465	338,805	402,569	338,929
Five years later	268,355	300,465	338,805	412,569	338,930
Six years later	268,355	300,465	338,805	412,570	-
Seven years later	268,355	300,465	338,805	-	-
Eight years later	268,355	300,465	-	-	-
Nine years later	268,355	-	-	-	-
<b>5. Re-estimated incurred losses and expense:</b>					
End of accident year	286,363	412,809	392,916	294,362	674,341
One year later	283,120	373,950	335,948	382,929	566,608
Two years later	282,307	300,417	446,968	407,686	461,373
Three years later	278,802	300,466	338,805	412,756	339,608
Four years later	278,802	300,465	338,805	412,569	338,930
Five years later	268,355	300,465	338,805	412,569	338,930
Six years later	268,355	300,465	338,805	412,570	-
Seven years later	268,355	300,465	338,805	-	-
Eight years later	268,355	300,465	-	-	-
Nine years later	268,355	-	-	-	-
<b>6. Increase (decrease) in estimated incurred losses and expenses from end of accident year</b>	(18,008)	(112,344)	(54,111)	118,208	(335,411)

<sup>(1)</sup> Re-estimated incurred losses and expenses previously reported have been revised based upon new information obtained.

<sup>(2)</sup> Re-estimated incurred losses and expenses and certain paid claims previously reported have been revised based upon new information obtained.

<b>2013</b> <sup>(1)</sup>	<b>2014</b> <sup>(2)</sup>	<b>2015</b> <sup>(1)</sup>	<b>2016</b> <sup>(2)</sup>	<b>2017</b>
\$ 1,478,316	\$ 1,482,696	\$ 1,526,298	\$ 1,770,610	\$ 1,805,112
1,165,088	1,179,494	1,225,963	1,222,412	1,249,226
502,842	395,988	313,289	352,783	886,456
269,323	146,302	63,794	160,979	227,342
322,713	231,565	96,426	236,313	-
443,585	353,703	96,426	-	-
477,256	353,330	-	-	-
495,939	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
882,759	645,004	540,378	750,289	886,456
801,809	612,709	268,552	416,877	-
572,047	450,460	162,376	-	-
572,595	376,750	-	-	-
555,583	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(327,176)	(268,254)	(378,002)	(333,412)	-

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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  
Van Wert County  
209 South Blackhoff  
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 statements of the Midwest Pool Risk Management Agency, Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise Midwest Pool Risk Management Agency's basic financial statements and have issued our report thereon dated May 7, 2018.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Midwest Pool Risk Management Agency'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 statements, but not to the extent necessary to opine on the effectiveness of the Midwest Pool Risk Management Agency'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's financial statements. 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

***Compliance and Other Matters***

As part of reasonably assuring whether the Midwest Pool Risk Management Agency's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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'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's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
May 7, 2018



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2017**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	2016	<u>Significant Deficiency - Financial Statement Presentation</u> - Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. An adjustment was made to the financial statements for the year ended November 30, 2016, to record a liability for contributions due back to the members.	Corrected	N/A

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# 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  
JUNE 12, 2018**