

FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTAL INFORMATION

Ohio Municipal Joint Self-Insurance Pool

*Years ended March 31, 2014 and 2013  
with Report of Independent Auditors*





# Dave Yost • Auditor of State

Board of Trustees  
Ohio Municipal Joint Self-Insurance Pool  
600 East 96th Street, Suite 425  
Indianapolis, Indiana 46240

We have reviewed the *Report of Independent Auditors* of the Ohio Municipal Joint Self-Insurance Pool, Franklin County, prepared by Petrow, Leemhuis, Vincent & Kane, for the audit period April 1, 2013 through March 31, 2014. 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 Municipal Joint Self-Insurance Pool is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 1, 2014

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# Ohio Municipal Joint Self-Insurance Pool

## Financial Statements and Required Supplemental Information

Years ended March 31, 2014 and 2013

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## Ohio Municipal Joint Self-Insurance Pool Management Discussion and Analysis

This section of the Ohio Municipal Joint Self Insurance Pool's (the "Pool") financial statements contains a discussion and analysis by management of the Pool's financial results as of March 31, 2014 and 2013, and for the years then ended.

Content of the audit report is broken into three sections, *management discussion and analysis* (this section) the *basic financial statements* (including footnotes) and *required supplementary information*.

### Financial Highlights

	March 31, 2014	March 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 994,285	\$ 765,034
Member contributions receivable	35,913	20,174
Reinsurance recoverable	-	48,353
<b>Total assets</b>	<b>\$ 1,030,198</b>	<b>\$ 833,561</b>
 <b>Liabilities and accumulated surplus</b>		
Losses and loss expenses payable	\$ 473,906	\$ 596,846
Member contributions received in advance	402,380	182,577
Administrator, sponsor fees and commissions payable	5,917	3,102
<b>Total liabilities</b>	882,203	782,525
 Accumulated surplus	 147,995	 51,036
<b>Total liabilities and accumulated surplus</b>	<b>\$ 1,030,198</b>	<b>\$ 833,561</b>

The Pool's total assets increased 24% or \$196,637, to \$1,030,198 in 2014. Cash, cash equivalents and investments increased 30%, or \$229,251, from \$765,034 in 2013 to \$994,285 in 2014. Factors leading to the increased cash were a rise in member written and surplus contributions, decreased reinsurance expense and membership contributions received in advance of their policy inception date.

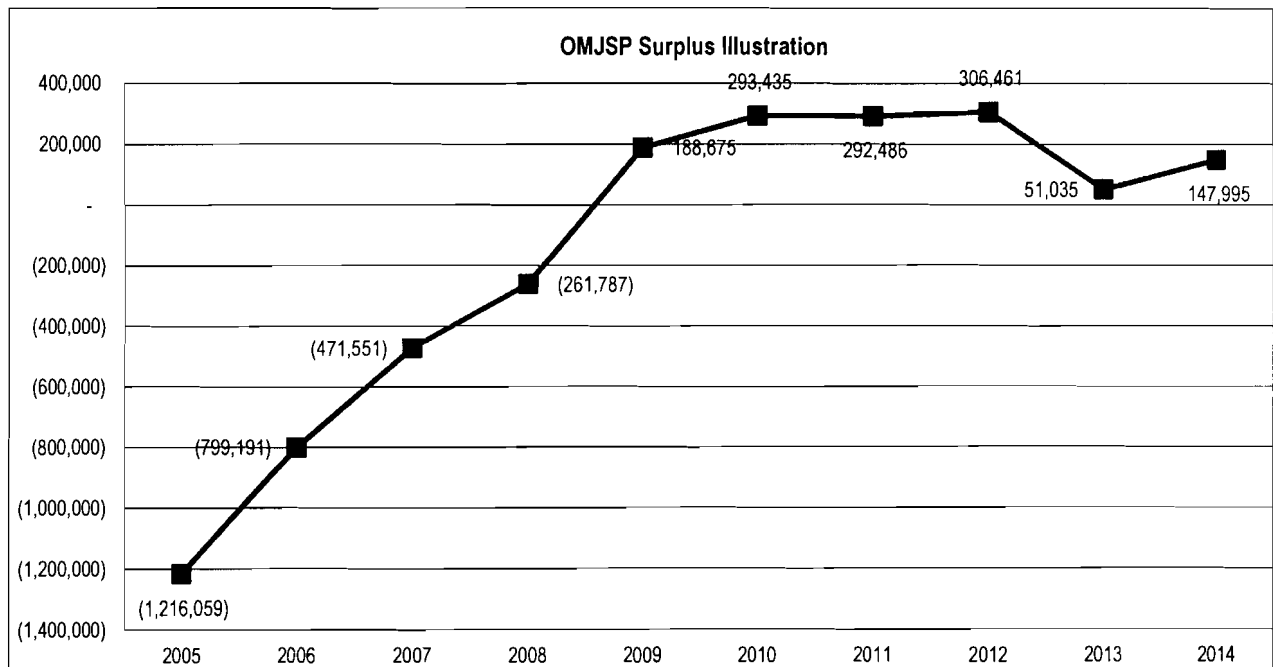
The Pool's losses and loss expenses reserves decreased 21%, from \$596,846 in 2013 to \$473,906 in 2014. The Pool's consulting actuary determined that the total loss reserves including an allocation for incurred but not reported was sufficient.

Due to increased revenues combined with reductions in most of the Pool's expense categories, the Pool's accumulated surplus increased 190%, or \$96,959, in 2014.

The Pool purchases excess of loss property and liability reinsurance to protect its members from unexpected large losses. The Board and the Administrator receive competitive bids annually in order to make sure the excess reinsurance terms remain competitive for Pool members. The Pool's current self-insured retention for property and liability losses is set at \$100,000 per occurrence.

The Pool has received a determination letter from the Internal Revenue Service indicating that the Pool's income is excludable from taxation. As such the tax returns filed annually indicate no tax liability is due.

**The Pool's surplus position for the last ten fiscal years is as follows:**



## Statement of Income and Expenses

The table below provides a summary of the Pool's income statement for the years ended March 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues:		
Gross written contributions	\$ 1,741,328	\$ 1,765,486
Member surplus contributions	332,226	235,432
Investment income	173	3
Reinsurance premiums	(898,496)	(961,144)
Total	<u>1,175,231</u>	<u>1,039,777</u>
Expenses:		
Losses and loss adjustment expenses	914,199	1,084,221
Ceded losses recovered	(369,059)	(445,708)
Administrator, sponsor fees and commissions	463,573	543,261
Professional fees	63,303	88,126
Other expenses	6,256	25,302
Total	<u>1,078,272</u>	<u>1,295,202</u>
Net change in accumulated surplus	<u>\$ 96,959</u>	<u>\$ (255,425)</u>

The Pool's contribution revenue increased 4%, or \$72,636, to \$2,073,554 in 2014. Total revenue increased by 13%, or \$135,454, in 2014. The Pool's membership remained relatively flat over the prior year.

The Pool's net operating income for the year increased 138%, or \$352,384, in 2014.

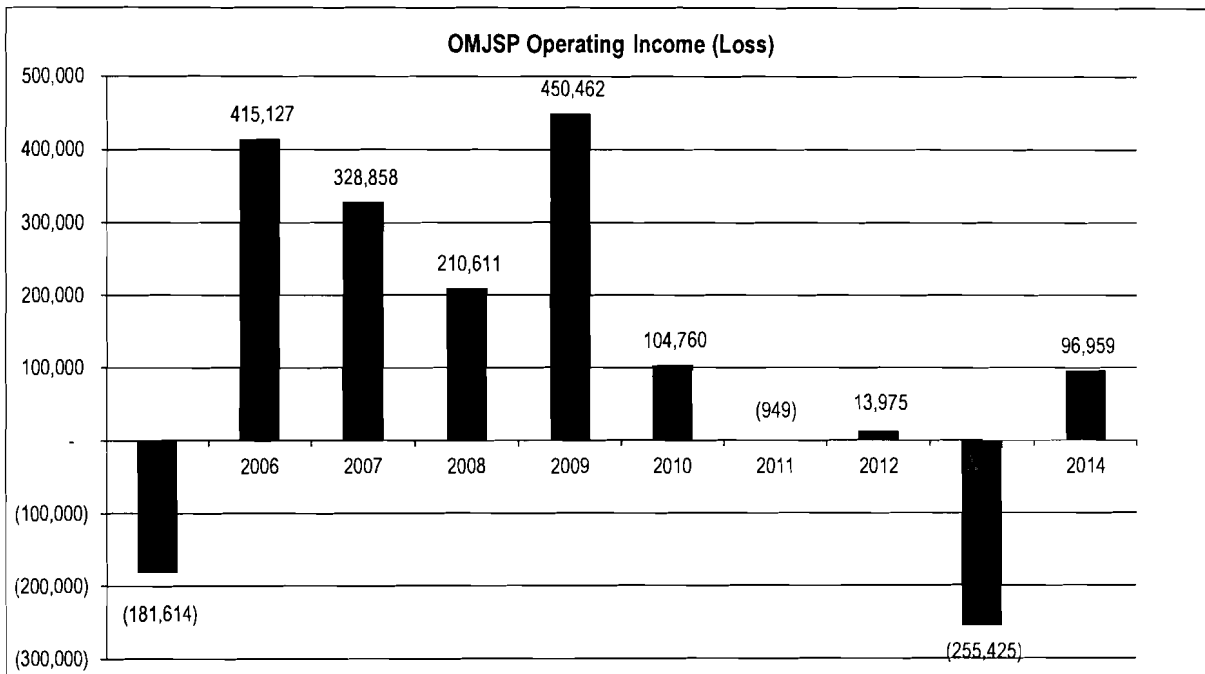
Expenses decreased 17%, or \$216,930, in 2014. Professional fees decreased 28%, or \$24,823, from \$88,126 in 2013 to \$63,303 in 2014.

The Pool's net claim loss expense decreased 15%, or \$93,373, to \$545,140 in 2014, compared to \$638,513 in 2013.

Administrator, sponsor fees, and commissions decreased 15%, or \$79,688, in 2014. The OML, sponsor of the Pool, received 2% of gross written and surplus contributions for the calendar year.



The Pool's operating income (loss) for the last ten fiscal years is as follows:



## Report of Independent Auditors

Board of Trustees  
Ohio Municipal Joint Self-Insurance Pool

### Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Joint Self-Insurance Pool, which comprise the balance sheets as of March 31, 2014 and 2013 and the related statements of income and changes in accumulated surplus and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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 the 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 financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Joint Self-Insurance Pool, as of March 31, 2014 and 2013, and the results of their operations and cash flows for the years then ended in accordance accounting principles generally accepted in the United States of America.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014 on our consideration of Ohio Municipal Joint Self-Insurance Pool'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* and should be considered in assessing the results of our audit.

Governmental Accounting and Financial Reporting Standards require that the Management's Discussion and Analysis (page 1) and the Schedule of Claims Development Information (page 12) 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 who 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 supplementary 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.

*Peter W. Buchanan Vincent & Kone*

September 17, 2014

# Ohio Municipal Joint Self-Insurance Pool

## Balance Sheets

	<b>March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 994,285	\$ 765,034
Member contributions receivable	35,913	20,174
Reinsurance recoverable	-	48,353
	<hr/>	
Total assets	<b>\$ 1,030,198</b>	<b>\$ 833,561</b>
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<b>Liabilities and accumulated surplus</b>		
Losses and loss expenses payable	\$ 473,906	\$ 596,846
Member contributions received in advance	402,380	182,577
Administrator, sponsor fees and commissions payable	5,917	3,102
Total liabilities	<b>882,203</b>	<b>782,525</b>
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Accumulated surplus	<b>147,995</b>	<b>51,036</b>
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Total liabilities and accumulated surplus	<b>\$ 1,030,198</b>	<b>\$ 833,561</b>
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*See accompanying notes and report of independent auditors.*

# Ohio Municipal Joint Self-Insurance Pool

## Statements of Income and Changes in Accumulated Surplus

	Years ended March 31	
	2014	2013
Operating revenues:		
Gross written contributions	\$ 1,741,328	\$ 1,765,486
Member surplus contributions	332,226	235,432
Reinsurance premiums	(898,496)	(961,144)
	1,175,058	1,039,774
Operating expenses:		
Losses and loss adjustment expenses	914,199	1,084,221
Ceded losses recovered	(369,059)	(445,708)
Administrator, sponsor fees and commissions	463,573	543,261
Professional fees	63,303	88,126
Other expenses	6,256	25,302
	1,078,272	1,295,202
Operating income (loss)	96,786	(255,428)
Non-operating revenues:		
Investment income	173	3
Net increase (decrease) in accumulated surplus	96,959	(255,425)
Accumulated surplus beginning of year	51,036	306,461
Accumulated surplus end of year	\$ 147,995	\$ 51,036

*See accompanying notes and report of independent auditors.*

# Ohio Municipal Joint Self-Insurance Pool

## Statements of Cash Flows

	<b>Years ended March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>		
Member and surplus contributions received	\$ 2,283,467	\$ 1,853,765
Reinsurance premiums paid	(850,143)	(975,851)
Loss and allocated expenses paid, net of deductibles collected	(1,065,960)	(1,124,534)
Reinsurance, salvage and subrogation recoveries received	392,328	679,635
Administrator, sponsor fees and commissions paid	(460,781)	(563,372)
Professional fees paid	(67,857)	(93,043)
Other income (expenses)	(1,807)	(5,169)
Net cash provided (used) by operating activities	229,247	(228,569)
<b>Investing activities</b>		
Proceeds from maturities of cash equivalents	249,831	199,929
Maturities of cash equivalents	(250,000)	(199,929)
Investment income short term investments	173	3
Net cash provided by investing activities	4	3
Net increase (decrease) in cash and short term investments	229,251	(228,566)
Cash, cash equivalents and short term investments at beginning of the year	765,034	993,600
Cash, cash equivalents and short term investments at end of the year	\$ 994,285	\$ 765,034
<b>Reconciliation of net income to net cash used by operating activities:</b>		
Operating income (loss)	\$ 96,786	\$ (255,425)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Member contributions receivable	(15,739)	35,556
Reinsurance recoverable	48,353	-
Losses and loss expenses payable	(122,940)	186,611
Member contributions received in advance	219,972	(175,709)
Administrator, sponsor fees and commissions payable	2,815	(19,602)
Net cash provided (used) by operating activities	\$ 229,247	\$ (228,569)

See accompanying notes and report of independent auditors.

# Ohio Municipal Joint Self-Insurance Pool

## Notes to Financial Statements

March 31, 2014 and 2013

### **1. Organization and Significant Accounting Policies**

#### **Organization**

The Ohio Municipal Joint Self-Insurance Pool (the "Pool") is an unincorporated nonprofit association which provides a program of property and casualty self-insurance for its member organizations. Membership is restricted to municipal corporations and their instrumentalities in the State of Ohio. Under the terms of the membership agreement, members are subject to a supplemental assessment or a refund, depending on the Pool's underwriting results for each coverage year.

#### **Basis of Presentation**

The Pool accounts for its activities in an enterprise fund and the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), provided that they do not conflict or contradict statements issued by the Government Accounting Standards Board ("GASB"). GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* provides standards for accounting and reporting that apply to public entity risk pools.

#### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

#### **Cash and Cash Equivalents**

All highly liquid investments with maturities of three months or less when purchased are classified as cash and cash equivalents and are stated at cost, which approximates market.

#### **Losses and Loss Adjustment Expenses Payable**

The liabilities for losses and loss adjustment expenses and incurred but not reported claims are estimated based on historical information and claim experience, and represent management's best estimate of the ultimate cost of claims. Because the ultimate claim costs can be affected by factors such as inflation, legal settlements and damage awards, the estimation process includes considerable variability. Management believes that the recorded liabilities are adequate. The estimates are continually reviewed and updated as experience develops or new information becomes known; such adjustments are reflected in current operations.

# Ohio Municipal Joint Self-Insurance Pool

## Notes to Financial Statements

March 31, 2014 and 2013

### **1. Organization and Significant Accounting Policies (continued)**

#### **Revenue Recognition**

Policies are billed on an annual basis. Members are charged a contribution for the insurance coverage(s) provided by the Pool, which is recognized as revenue ratably over the term of the policy (one year). The amount of the contribution is dependent on underwriting factors such as past claim experience, rating and market and competitive factors.

#### **Concentrations of Credit Risk**

All written and surplus contributions are received from cities and municipalities in the State of Ohio.

#### **Income Taxes**

The Internal Revenue Service ("IRC") has determined that the Pool is performing an essential governmental function within the provisions of IRC Section 115 and qualifies as a non-taxable entity.

### **2. Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits and short term investments held in three accounts at a commercial bank. Custodial credit risk is the risk that depositor's funds may be lost in the event of a bank failure. Deposits at the Pool's financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2014 and 2013, the Pool's uninsured cash and investment balances totaled \$481,889 and \$340,343, respectively. To limit its interest rate and credit risk, the Pool invests only in U.S. Government securities with a maturity of two years or less. The Pool has not established a limit on the amount of funds that may be invested with any one institution.

### **3. Administrative Services Agreement**

The Pool has outsourced its administrative functions to JWF Specialty, Inc. ("JWF"), a third party administrator located in Indiana, under a service agreement effective June 2001 and renewable yearly. In accordance with the agreement, JWF performs all policy management, underwriting, billing, claims management and payment functions and financial management for the Pool, and is paid a fee based on a percentage of written contribution earned. Administrative expenses incurred in connection with this agreement totaled \$242,491 and \$293,093 for 2014 and 2013, respectively, and are included in administrator, sponsor fees and commissions in the accompanying statement of income and changes in accumulated surplus.



# Ohio Municipal Joint Self-Insurance Pool

## Notes to Financial Statements

March 31, 2014 and 2013

### 4. Reinsurance

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess of loss contracts in-force protect the Pool against losses over the retention level; at March 31, 2014, the Pool's retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The effect of ceded reinsurance on certain assets, liabilities, contributions earned and losses paid as of and for the years ended March 31 is as follows:

	<u>2014</u>	<u>2013</u>
Ceded losses and loss expenses receivable	\$ 126,404	\$ 128,111
Ceded losses and loss expenses recoverable	31,992	46,553
Reinsurance expense	898,496	961,144
Ceded losses and loss expenses	369,059	445,708

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

### 5. Losses and Loss Adjustment Expenses Payable

The following table provides a reconciliation of the beginning and ending balances of the liability for losses and loss adjustment expenses:

	<u>2014</u>	<u>2013</u>
Balances at April 1	\$ 596,846	\$ 410,235
Losses incurred related to:		
Current year	497,258	545,472
Prior years	47,882	93,041
Total losses incurred	545,140	638,513
Paid related to:		
Current year	164,044	254,968
Prior years	504,036	196,934
Total paid	668,080	451,902
Balance at March 31	<u>\$ 473,906</u>	<u>\$ 596,846</u>

# Ohio Municipal Joint Self-Insurance Pool

## Notes to Financial Statements

March 31, 2014 and 2013

### 5. Losses and Loss Adjustment Expenses Payable (continued)

Losses incurred related to prior years varies from previously estimated liabilities as the claims are ultimately settled. The changes in amounts incurred related to prior years are the result of adverse development of settled and open claims.

Losses and loss adjustment expenses payable include a reserve credit for policy deductible amounts billed to the insured. Reserve credits taken for these deductible amounts at March 31 are as follows:

	<u>2014</u>	<u>2013</u>
Deductibles receivable	\$ 30,036	\$ 58,583
Deductibles recoverable	<u>121,498</u>	<u>92,494</u>
	<u>\$ 151,534</u>	<u>\$ 151,077</u>

### 6. Subsequent Events

In accordance with ASC 855 *Subsequent Events*, the Pool evaluated subsequent events through September 17, 2014, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the accompanying financial statements.

## Required Supplemental Information

Ohio Municipal Joint Self-Insurance Pool  
Schedule of Claims Development Information

	2005	2006	2007	2008	2009	2010	Three Months Ended March 31, 2011	2012	2013	2014
Gross written premium	3,761,688	3,217,139	3,073,871	2,571,751	2,278,626	1,942,501	585,208	1,313,829	1,765,486	1,741,328
Earned revenue	4,302,874	3,997,908	3,741,221	3,065,255	2,574,505	2,197,984	674,995	1,630,953	2,000,918	2,073,554
less ceded	(1,222,857)	(1,229,724)	(1,108,456)	(1,101,106)	(989,284)	(981,172)	(378,547)	(1,051,527)	(961,144)	(898,496)
Net earned	3,080,017	2,768,184	2,632,765	1,964,149	1,585,221	1,216,812	296,448	579,426	1,039,774	1,175,058
Non-claim expenses	1,178,139	1,098,603	971,704	849,789	753,562	739,918	160,363	709,587	656,689	533,132
Incurred loss and loss adjustment expenses:										
End of policy year			802,653	883,803	543,955	742,422	460,115	517,975	411,642	345,890
End of first year		1,171,262	1,372,774	1,268,677	714,412	938,189	445,987	723,255	528,067	
End of second year	1,733,140	1,110,914	1,694,013	1,320,140	1,152,607	980,320	481,297	792,761		
End of third year	1,718,895	1,130,603	1,693,345	1,106,255	1,078,374	1,009,140	477,906			
End of fourth year	1,695,963	1,113,367	1,655,399	1,082,500	1,078,139	1,008,872				
End of fifth year	1,731,071	1,123,307	1,638,746	1,065,100	1,156,690					
End of sixth year	1,686,987	1,173,087	1,668,746	1,156,690						
End of seventh year	1,681,240	1,217,457	1,658,746							
End of eighth year	1,679,792	1,217,457								
End of ninth year	1,679,792									
Paid losses and loss adjustment expenses (cumulative) as of:										
End of policy year			413,133	295,280	224,966	439,630	284,330	227,755	254,970	164,045
End of first year		533,495	1,078,966	726,315	482,098	722,446	372,625	451,891	434,110	
End of second year	1,224,137	798,765	1,370,032	953,455	745,853	911,982	423,278	707,144		
End of third year	1,521,423	893,674	1,569,161	1,028,932	955,965	977,858	476,214			
End of fourth year	1,611,120	1,006,760	1,633,127	1,047,445	1,014,783	986,013				
End of fifth year	1,654,756	1,034,142	1,638,746	1,048,737	1,076,285					
End of sixth year	1,679,792	1,119,714	1,638,746	1,051,563						
End of seventh year	1,679,792	1,217,457	1,641,919							
End of eighth year	1,679,792	1,217,457								
End of ninth year	1,679,792									



# Dave Yost • Auditor of State

## OHIO MUNICIPAL JOINT SELF INSURANCE POOL

### FRANKLIN 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  
OCTOBER 16, 2014