

**PUBLIC ENTITY
RISK CONSORTIUM
MAHONING COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED NOVEMBER 30, 2016**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Trustees
Public Entity Risk Consortium
131 West Boardman Street
Boardman, Ohio 44503

We have reviewed the *Independent Accountant's Report* of the Public Entity Risk Consortium, Mahoning County, prepared by James G. Zupka, CPA, Inc., for the audit period December 1, 2015 through November 30, 2016. 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 Public Entity Risk Consortium 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 18, 2017

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**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
Public Entity Risk Consortium
Youngstown, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Entity Risk Consortium (PERC), Mahoning County, Ohio as of and for the fiscal year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise PERC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to PERC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PERC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Entity Risk Consortium, Mahoning County, Ohio as of November 30, 2016, and the respective changes in financial position, and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 8 of the financial statements, during the fiscal year ended November 30, 2016, PERC converted its financial reporting framework from the cash basis of accounting to accounting principles generally accepted in the United States of America and restated its net position at December 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, and the *Ten-Year Claims Development Information and Ratios*, as listed in the table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2017, on our consideration of the Public Entity Risk Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 PERC's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA,
Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2017.03.29 11:53:41 -0400

March 15, 2017

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(UNAUDITED)**

The discussion and analysis of the Public Entity Risk Consortium (PERC) financial statements provides an overall review of PERC's financial activities for the fiscal year ended November 30, 2016. The intent of this discussion and analysis is to look at PERC'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 PERC's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2016 are as follows:

- PERC's net financial position at November 30, 2016 was \$5,103,960.
- PERC 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 were \$2,453,682 at November 30, 2016 compared to \$2,705,509 at November 30, 2015.
- PERC had operating revenues from its members of \$5,552,515 and operating expenses of \$4,628,507 for the fiscal year. In addition, PERC had \$250,000 in excess insurance recoveries, and \$39,958 in investment income. The increase in net position was \$596,266 for the fiscal year.

REPORTING OF FINANCIAL ACTIVITIES

The table below provides a summary of PERC's net position for November 30, 2016 and 2015.

Table 1 - Condensed Statement of Net Position Compared to Prior Year

	2016	2015
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,637,830	\$ 5,178,541
Investments	<u>2,537,512</u>	<u>2,607,067</u>
Total Assets	<u>\$ 8,175,342</u>	<u>\$ 7,785,608</u>
<u>Liabilities and Net Position</u>		
Accounts Payable	\$ 617,700	\$ 572,405
Reserve for Unpaid Claims	2,453,682	2,705,509
Net Position	<u>5,103,960</u>	<u>4,507,694</u>
Total Liabilities and Net Position	<u>\$ 8,175,342</u>	<u>\$ 7,785,608</u>

Total assets increased by \$389,734 or 5 percent. The loss reserve amount decreased by \$251,827, or 9.3 percent. Accounts payable increased by \$45,295, or 7.9 percent. These factors resulted in the increase in net position of \$596,266, or 13.2 percent.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(UNAUDITED)**

REPORTING OF FINANCIAL ACTIVITIES

The table below shows the changes in net position for the fiscal years ending November 30, 2016 and 2015.

**Table 3 - Condensed Statement of Revenue, Expenses and Changes in Net Position
Compared to Prior Year**

	2016	2015 Restated
<u>Revenues</u>		
Membership Contributions	\$ 5,552,515	\$ 5,582,079
Excess Insurance Recoveries	250,000	18,065
Investment Income	39,958	24,309
Dividends to Members	(617,700)	(572,405)
Total Revenues	<u>5,224,773</u>	<u>5,052,048</u>
<u>Expenses</u>		
Insurance Premiums for Coverage	3,962,022	4,044,549
Claims	638,113	561,724
Other	28,372	17,845
Total Expenses	<u>4,628,507</u>	<u>4,624,118</u>
Change in Net Position	596,266	427,930
Net Position - Beginning of Year	<u>4,507,694</u>	<u>4,079,764</u>
Net Position - End of Year	<u>\$ 5,103,960</u>	<u>\$ 4,507,694</u>

Membership contributions decreased by \$29,564, or .5 percent. Excess insurance recoveries increased by \$231,935, or 1,283 percent. Claim expenses increased by \$76,389, or 13.6 percent.

FINANCIAL MANAGEMENT

This financial report is designed to provide interested users and our membership with a general overview of the Public Entity Risk Consortium's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Gary Cameron, 131W. Boardman Street, Youngstown, Ohio 44503.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
STATEMENT OF NET POSITION
NOVEMBER 30, 2016**

ASSETS

Cash and Cash Equivalents	\$ 5,637,830
Investments	<u>2,537,512</u>
Total Assets	<u>8,175,342</u>

LIABILITIES

Accounts Payable	617,700
Reserve for Unpaid Claims	<u>2,453,682</u>
Total Liabilities	<u>3,071,382</u>

NET POSITION

Unrestricted	<u>5,103,960</u>
Total Net Position	<u>\$ 5,103,960</u>

See accompanying notes to the basic financial statements.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

<u>OPERATING REVENUES</u>	
Membership Contributions	\$ 5,552,515
Excess Insurance Recoveries	<u>250,000</u>
TOTAL OPERATING REVENUES	<u>5,802,515</u>
 <u>OPERATING EXPENSES</u>	
Claims	638,113
Insurance Premiums for Coverage	3,962,022
Professional Fees	<u>28,372</u>
TOTAL OPERATING EXPENSES	<u>4,628,507</u>
Operating Income	<u>1,174,008</u>
 <u>NON-OPERATING REVENUES/EXPENSES</u>	
Dividends to Members	(617,700)
Investment Income	<u>39,958</u>
TOTAL NON-OPERATING REVENUES/EXPENSES	<u>(577,742)</u>
Change in Net Position	596,266
 Net Position - Beginning of Year, Restated	 <u>4,507,694</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 5,103,960</u></u>

See accompanying notes to the basic financial statements.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received for Premiums	\$ 5,597,810
Cash Received for Insurance Recoveries	250,000
Cash Paid for Claims	(889,940)
Cash Payments to Vendors for Services and Goods	(28,372)
Cash Paid for Premiums	<u>(3,962,022)</u>
Net Cash Provided by (Used in) Operating Activities	<u>967,476</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Investment Income	39,958
Cash Paid into Investments	<u>69,555</u>
Net Cash Provided by Investing Activities	<u>109,513</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Dividends to Members	<u>(617,700)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(617,700)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	459,289

Cash and Cash Equivalents - Beginning of Year	<u>5,178,541</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 5,637,830</u></u>
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**RECONCILIATION OF CHANGES IN OPERATING INCOME
TO NET CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating Income	\$ 1,174,008
Changes in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	45,295
Increase (Decrease) in Reserve for Unpaid Claims	<u>(251,827)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 967,476</u>

See accompanying notes to the basic financial statements.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

NOTE 1: DESCRIPTION OF THE ORGANIZATION

The Public Entity Risk Consortium (PERC) is a joint self-insurance pool consortium established pursuant to the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio as defined by being organized under the Ohio Revised Code Chapter 2744.081. PERC is a shared risk pool as defined by Governmental Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provisions and administration of a self-insurance pool to provide excess coverage for automobile liability, general liability, crime and property, automobile physical damage, and public official's liability in accordance with PERC's agreement and bylaws. In addition to the self-insurance pool, PERC provides risk management services, loss prevention programs, and various other educational materials. The members of PERC include the following entities within the State of Ohio: the City of Lorain, BORMA, Inc., Midwest Pool Risk Management Agency, Inc. (MPRMA), Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), State Housing Authority Risk Pool Association, Inc. (SHARP), and the counties of Tuscarawas and Wayne. PERC does not have any financial accountability over entities as defined by 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 Statement No. 14 and GASB Statement No. 34.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP), provided that they do not conflict or contradict statements issued by the Governmental Accounting Standards Board (GASB). 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* and GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* provides standards for accounting and reporting that apply to public entity risk pools.

All transactions are accounted for in a single enterprise fund. Therefore, revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(CONTINUED)**

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

Cash and Cash Equivalents

For cash flow purposes, PERC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at November 30, 2016, consist of funds or deposits in banks and money market funds.

Investments

Investments are reported as assets and are carried at fair market value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as a component of non-operating revenues or expenses.

Member and Supplemental Contributions

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of PERC and to create reserves for claims and unallocated loss adjustments expenses. Under the terms of membership, should annual member contributions 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 PERC 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.

Reserve for Unpaid Claims

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by PERC's actuary. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred but not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. PERC's management believes that the claim reserves are reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary materially from the estimated amounts disclosed in Note 7. Should the provision for claims reserves not be sufficient, supplemental contributions will be assessed.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(CONTINUED)**

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

Reinsurance

PERC 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 reinsurers, although it does not discharge the primary liability of PERC as direct insurer of the risks reinsured. PERC is contingently liable with respect to certain loss coverage, which would become a liability in the event these insurance carriers are unable to meet obligations under these reinsurance contracts.

Net Position

Net position represents the excess of revenues over expenses since its inception.

As of November 30, 2016, PERC does not have any “restricted” net position. PERC’s Board of Trustees may authorize the distribution of the net position to those members who constituted the self-insurance pool during the years when such net position was earned, provided that such members must also be members of PERC in the year in which said distribution is made or declared by the Board.

In the event of dissolution of PERC, any funds which remain unencumbered after all claims and all other PERC obligations have been paid shall be distributed only to the entities which are members of PERC immediately prior to its dissolution. Any such surplus funds shall be distributed to members in proportion to the interest in the surplus funds.

PERC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. As of November 30, 2016, all of the net position is considered unrestricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 15, 2017, the date that the financial statements were available to be issued.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary action of PERC. For PERC, these are member premiums from the associated entities and excess insurance recoveries. Operating expenses are necessary costs that have been incurred in order to support PERC's primary mission. Revenues and expenses not meeting the definitions are reported as nonoperating.

Income Taxes

PERC is not subject to income taxes and the filing of tax returns since its members are political subdivisions in the State of Ohio.

NOTE 3: DEPOSITS AND INVESTMENTS

PERC follows the guidance of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement's required disclosures are as follows:

Deposits

At fiscal year-end, the carrying amount of PERC's deposits was \$5,637,830 and the bank balance was \$5,637,830. Of the bank balance, \$3,454,924 was covered by Federal depository insurance. The remaining balance of \$2,182,906 is collateralized by the public entity deposit pool of the 2 major banks where cash is held.

Investments

At year end, the carrying amount and maturities of the PERC's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>< 1</u>	<u>1-2</u>	<u>> 2</u>
FHLB Series 1.625%	\$ 50,008	\$ 50,008	\$ 0	\$ 0
FHLB Series 1.0%	100,048	100,048	0	0
FHLB 1.2%	149,731	0	149,731	0
FHLB .75%	249,802	249,802	0	0
FFCB 1.125%	100,195	0	100,195	0
FFCB 1.8%	149,428	0	0	149,428
FFCB 1.17%	99,844	0	99,844	0
FHLMC .6%	120,017	120,017	0	0
FNMA 1.875%	200,954	0	0	200,954
FNMA .875%	249,785	0	249,785	0
FNMA .875%	74,801	0	74,801	0
FNMA 1.135%	199,092	0	199,092	0
FHLMC 1.125%	298,410	0	0	298,410
US Treasury N/B 1%	198,000	0	0	198,000
US Treasury N/B 1.125%	198,126	0	0	198,126
US Treasury N/B 1.25%	99,271	0	0	99,271
Total	\$ 2,537,512	\$ 519,875	\$ 873,448	\$ 1,144,189

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

All investments received a rating of Aaa, which is the highest rating issued by Moody for a long-term investment.

The weighted average maturity of investments at November 30, 2016 is 2 years.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, PERC will be unable to recover the value of deposits, investments, or collateral securities in possession of an outside party. While not constrained by Ohio Revised Code, PERC follows the Ohio Revised Code section that limits the investment choices to those of its member participants.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. PERC does not have a policy to limit credit risk beyond the requirements of State statute. All of the federal agency securities carry a rating of Aaa by Moody's.

Concentration of Credit Risk

Concentration of credit risk is the risk of inability to recover the value of deposits or investments in the possession of an outside party caused by a lack of diversification. PERC does not have a policy to limit concentration of credit risk. At fiscal year end, PERC's investments are 21.7 percent in FHLB, 13.8 percent in FFCB, 16.5 percent in FHLMC, 28.6 percent in FNMA, and 19.4 percent in U.S. Treasury N/B.

Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. PERC does not have a policy to limit interest rate risk.

NOTE 4: **ADMINISTRATIVE FEES**

PERC has contracted with Arthur J. Gallagher & Company 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.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(CONTINUED)**

NOTE 5: RISK MANAGEMENT

PERC has contracted with a third-party administrator, Arthur J. Gallagher Risk Management Services, Inc. to provide management services. PERC has also contracted with Gallagher Bassett Services, Inc. to process all claims incurred by its members.

The members contribute annual premiums into the self-insurance risk pool fund of PERC. The Treasurer approves payments to the third-party administrator for actual insurance claims processed, insurance premiums, and administrative charges incurred on behalf of PERC members. PERC may extend an assessment to each member if additional funding is needed to cover expenses.

Members that withdraw from PERC are obligated for payment of any negative balance of their account and the remaining claims of any of its eligible members and dependents are the responsibility of each individual member upon withdrawal from PERC for any member that fails to pay its obligated share of PERC's costs, as determined by PERC, or which violates PERC's by-laws withdrawal notice requirements.

NOTE 6: MEMBER RETENTIONS

Member retentions per occurrence are as follows:

<u>Member</u>	<u>Property</u>	<u>General Liability</u>	<u>Auto Liability</u>	<u>Public Officials E. & O.</u>	<u>Automobile Physical Damage</u>	<u>Crime</u>
BORMA	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 25,000
MPRMA	100,000	100,000	100,000	100,000	100,000	25,000
OHAPCI	100,000	100,000	100,000	100,000	100,000	100,000
SHARP	100,000	100,000	100,000	100,000	100,000	50,000
City of Lorain	100,000	50,000	50,000	50,000	5,000	10,000
Tuscarawas County	50,000	50,000	10,000	50,000	5,000	N/A
Wayne County	50,000	50,000	25,000	50,000	25,000	N/A

PERC self-insured amounts in excess of its members' individual self-insured retention as follows:

Property	\$250,000 per occurrence
Liability	\$500,000 per occurrence
Stop Loss	\$1,560,000 maximum per year

NOTE 7: LOSS RESERVE

As discussed in Note 2, PERC's loan reserve includes both reported and unreported insured events and estimated future payments of losses and related loss adjustment disbursements. The schedule below presents the changes in claims liabilities during the fiscal year ended November 30, 2016.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016
(CONTINUED)**

NOTE 7: **LOSS RESERVE** (Continued)

<u>Unpaid Claims and Claim Adjustment Expenses</u>	
Beginning of Period	\$ <u>2,705,509</u>
<u>Incurred Claims and Claim Adjustment Expenses</u>	
Provision for insured events of the current period	827,156
Increase/(Decrease) in provision for insured events of prior years	<u>(279,641)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>547,515</u>
<u>Payments</u>	
Claims and claim adjustment expenses attributable to insured events of the current period	(34,852)
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(764,490)</u>
Total Payments	<u>(799,342)</u>
Total Unpaid Claims and Claim Adjustment Expenses - End of Period	<u>\$ 2,453,682</u>

NOTE 8: **CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2016, PERC converted from cash basis reporting to reporting in accordance with generally accepted accounting principles (GAAP) in order improve its accounting and financial reporting. The implementation of this accounting principle had the following effect on net position:

Fund Cash Balance at November 30, 2015	\$ 7,785,608
Return of member contributions authorized in November 30, 2015, but not paid until after November 30, 2015	(572,405)
Reserve for unpaid claims at November 30, 2015	<u>(2,705,509)</u>
Restated Net Position - December 1, 2015	<u>\$ 4,507,694</u>

NOTE 9: **DIVIDENDS TO MEMBERS**

PERC's Board of Trustees approved payment of dividends to individual members and pools as of November 30, 2016 in the total amount of \$617,700.

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pool Contributions	\$ -	\$ -	-	-	Information not available	\$ -	\$ -	-	\$ 5,009,674	\$ 4,934,815
Investment Income	-	-	-	-	-	-	-	-	21,414	39,958
Expenses	-	-	-	-	Information not available	-	-	-	4,062,394	3,990,394
Estimated Incurred Claims and Expenses	-	-	-	-	-	-	-	-	543,659	388,113
Reestimated Incurred Claims and Expenses										
End of Year	873,179	971,465	730,284	628,755	970,224	876,346	690,234	904,196	627,733	827,156
One Year Later	831,481	1,038,830	709,958	689,856	1,050,034	1,141,856	739,422	730,720	795,536	-
Two Years Later	790,721	917,033	443,994	1,082,753	964,987	914,000	687,262	700,249	-	-
Three Years Later	929,450	858,666	495,236	1,092,355	680,621	1,019,002	592,335	-	-	-
Four Years Later	904,380	850,140	454,479	956,147	647,155	946,448	-	-	-	-
Five Years Later	881,206	666,300	403,350	891,865	611,195	-	-	-	-	-
Six Years Later	872,403	745,894	380,404	781,423	-	-	-	-	-	-
Seven Years Later	831,798	745,894	277,314	-	-	-	-	-	-	-
Eight Years Later	831,798	745,894	-	-	-	-	-	-	-	-
Nine Years Later	831,798	-	-	-	-	-	-	-	-	-
Paid (Cumulative) as of:										
End of Year	-	85,200	8,140	86,080	102,689	161,488	30,271	55,328	34,575	34,852
One Year Later	564,465	577,203	208,140	196,885	202,535	460,852	165,702	200,706	385,362	-
Two Years Later	587,407	624,620	208,140	289,894	212,037	516,171	291,123	304,947	-	-
Three Years Later	606,798	623,172	277,314	389,175	336,038	651,464	329,487	-	-	-
Four Years Later	606,799	668,300	277,314	662,126	381,408	695,408	-	-	-	-
Five Years Later	615,006	666,300	277,314	667,042	383,037	-	-	-	-	-
Six Years Later	606,798	745,894	277,314	667,567	-	-	-	-	-	-
Seven Years Later	606,798	745,894	277,314	-	-	-	-	-	-	-
Eight Years Later	606,798	745,894	-	-	-	-	-	-	-	-
Nine Years Later	831,798	-	-	-	-	-	-	-	-	-

Notes

1. Reestimated incurred claims and expenses is net of reimbursement of excess coverage.
2. Reestimated incurred claims and expenses include incurred, but not reported claims.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Public Entity Risk Consortium
Youngstown, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Entity Risk Consortium (PERC), Mahoning County, Ohio as of and for the fiscal year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise PERC's basic financial statements and have issued our report thereon dated March 15, 2017, wherein we noted that during the fiscal year ended November 16, 2016, PERC converted its financial reporting framework from the cash basis of accounting to accounting principles generally accepted in the United States of America and restated its net position at December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PERC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PERC's internal control. Accordingly, we do not express an opinion of the effectiveness of PERC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of PERC's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PERC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PERC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PERC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2017.03.29 11:54:19 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 15, 2017

**PUBLIC ENTITY RISK CONSORTIUM
MAHONING COUNTY, OHIO
STATUS OF PRIOR YEAR'S AUDIT CITATIONS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

The prior audit report, for the fiscal year ended November 30, 2015, reported no material citations or management letter recommendations.

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Dave Yost • Auditor of State

PUBLIC ENTITY RISK CONSORTIUM

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2017**