

Public Entities Pool of Ohio

**Financial Report
with Required Supplemental Information
December 31, 2016**



Dave Yost • Auditor of State

Board of Directors
Public Entities Pool of Ohio
31555 West Fourteen Mile Road
Farmington Hills, MI 48334

We have reviewed the *Independent Auditor's Report* of the Public Entities Pool of Ohio, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2016 through December 31, 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 Entities Pool of Ohio 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, 2017

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Public Entities Pool of Ohio

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Independent Auditor's Report

To the Board of Directors
Public Entities Pool of Ohio

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of Public Entities Pool of Ohio (the "Pool"), as of and for the years ended December 31, 2016 and 2015, and the related notes to the basic financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Public Entities Pool of Ohio at December 31, 2016 and 2015, and the changes in its financial position and its cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Public Entities Pool of Ohio

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, casualty claims development information, property claims development information, and statement of reconciliation of unpaid claims and claim adjustment expense liability by type of contract, as identified 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplemental information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on said information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017 on our consideration of the 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* in considering the Pool's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 17, 2017

Public Entities Pool of Ohio

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Along with the notes to the basic financial statements, it provides detailed financial information concerning Public Entities Pool of Ohio (the "Pool" or "PEP"). The management's discussion and analysis (the "MD&A") provides a review of the Pool's operating results for the years 2014 through 2016, as well as its financial condition at December 31, 2016, 2015, and 2014. The MD&A should be read in conjunction with the basic financial statements and notes thereto.

Overview

PEP is a local government risk pool that offers comprehensive liability and property coverages specifically tailored to meet the needs of political subdivisions throughout the state of Ohio and provide them with an alternative to traditional insurance. PEP differs philosophically from traditional insurance programs in that PEP is owned by its members and serves only its members' interests.

Historically, the property and casualty insurance industry has been unable to provide the consistency of pricing and coverages needed by governmental authorities. The national insurance crisis of the late 1980s, in which political subdivisions in the State of Ohio were unable to purchase affordable insurance, led to the formation of local government risk pools. The transition from insurance to pooling has been so successful that there are over 500 governmental entity pools currently operating in the United States of America. PEP was formed in 1987 and has grown steadily to 520 members today.

The growth and success of pooling is often attributed to the availability of broad coverage and price stability, which PEP has consistently delivered since its formation. In addition to those advantages enjoyed by many pools, PEP stands out by providing responsive claims handling, coverage specific to Ohio political subdivisions, and customized loss control services, proving that its service-oriented philosophy has been a successful long-term solution for its members. PEP is endorsed by the Association of Ohio Health Commissioners and the Ohio Parks and Recreation Association.

PEP's Annual Report provides members with detailed financial information about the Pool. Additionally, PEP's website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library that contains numerous risk management and training materials in a variety of convenient formats.

PEP continues to build on its longstanding success by consistently providing customized coverage at a fair and stable price and being responsible, loyal, and responsive to its membership.

Public Entities Pool of Ohio

Management's Discussion and Analysis (Continued)

Administration

York Risk Pooling Services, Inc. ("York" or "Management") functions as the administrator of the Pool and provides program management, underwriting, claims, loss control, risk management and reinsurance services for the Pool. York's pool administration team includes certified public accountants, credentialed underwriters, attorneys that specialize in public entity claims and a host of other subject matter experts, who have decades of experience in the successful management of public entity pools.

Financial Overview and Highlights

The analysis below presents a comparison of the Pool's current year financial position to prior years:

	2016	2015	2014
Assets			
Cash and cash equivalents	\$ 4,782,584	\$ 3,603,192	\$ 3,859,012
Investment securities - At fair value	23,247,336	20,983,937	18,208,798
Member contributions to be billed in the future	11,485,880	11,013,490	10,835,692
Other assets	2,666,481	2,707,058	2,498,675
Total assets	<u>\$ 42,182,281</u>	<u>\$ 38,307,677</u>	<u>\$ 35,402,177</u>
Liabilities			
Claims and claim adjustment expense reserves	\$ 11,976,610	\$ 11,546,425	\$ 11,183,572
Unearned premium reserves	68,984	64,660	97,372
Other liabilities	1,351,106	1,148,042	1,082,313
Total liabilities	<u>\$ 13,396,700</u>	<u>\$ 12,759,127</u>	<u>\$ 12,363,257</u>
Net Position - Unrestricted	<u>\$ 28,785,581</u>	<u>\$ 25,548,550</u>	<u>\$ 23,038,920</u>

Public Entities Pool of Ohio

Management's Discussion and Analysis (Continued)

Approximately 66 percent in 2016, 64 percent in 2015, and 62 percent in 2014 of total assets consist of cash, cash equivalents, and investments. As a result of the Pool's conservative investment objectives and policies, the overall investment return (excluding the net realized and unrealized losses on investments) totaled 1.30 percent during the year ended December 31, 2016. At December 31, 2016, 2015, and 2014, substantially all of the Pool's investments were invested in U.S. Treasury securities, U.S. agencies and pass-throughs, corporate bonds, or money market investment pools.

In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, member contributions, claims and claim adjustment expenses, and operating expenses are recognized in the statement of revenue, expenses, and changes in net position on an accrual basis of accounting. Pursuant to the intergovernmental contract signed by each member of the Pool, the budgetary funding requirement for each member is based upon the estimated cash outflow of the Pool and surplus considerations on an annual basis. As a result of the long claim cycle for casualty claims, member contributions are collected from active members when the estimated claims and claim adjustment expenses are anticipated to be paid. These estimated amounts are accounted for in the statement of net position as "member contributions to be billed in the future." Changes to these estimates are reflected in the statement of revenue, expenses, and changes in net position in a method similar to that of claim reserves, as detailed below. Because amounts are estimated in this manner, amounts will fluctuate from year to year due to changes in the estimate of the future cost of settling all existing claims.

The Pool's claims and claim adjustment expense reserves totaled \$11,976,610, \$11,546,425, and \$11,183,572 at December 31, 2016, 2015, and 2014, respectively. For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, claim frequency and severity, and other economic factors. Because these estimates are impacted by complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claim reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which the adjustments are made. During the year ended December 31, 2016, the Pool decreased its provision for claims incurred in prior years by \$777,160 as a result of a decrease in claim frequency from the original actuarial estimate and favorable outcomes on certain cases settled or expected to be settled in the near term. Claim payments totaled \$5,738,095, \$6,040,229, and \$7,218,286 during the years ended December 31, 2016, 2015, and 2014, respectively. Fluctuation in claim payment activity between 2014 and 2015 was a result of several large property claims that were incurred and paid during 2014.

Net position at December 31, 2016 increased \$3,237,031 from December 31, 2015 primarily as a result of an increase in member contributions and continued favorable trending on claim frequency and severity.

Public Entities Pool of Ohio

Management's Discussion and Analysis (Continued)

The following table shows the major components of income from operations for the current year, compared to prior years:

	2016	2015	2014
Operating Revenue			
Member contributions	\$ 18,310,182	\$ 17,570,717	\$ 16,538,076
Reinsurance premiums ceded	(3,633,646)	(3,281,924)	(2,977,139)
Change in contributions that will be billed in the future to pay unpaid claims	<u>472,390</u>	<u>177,798</u>	<u>(261,414)</u>
Total operating revenue	15,148,926	14,466,591	13,299,523
Operating Expenses			
Provision for claims	6,168,280	6,403,082	6,759,282
General and administrative expenses	<u>5,923,691</u>	<u>5,637,987</u>	<u>5,261,771</u>
Total operating expenses	<u>12,091,971</u>	<u>12,041,069</u>	<u>12,021,053</u>
Operating Income	3,056,955	2,425,522	1,278,470
Nonoperating Revenue (Expenses)			
Investment earnings	234,654	129,369	313,720
Cumulative reserve fund distributions	<u>(20,064)</u>	<u>(31,877)</u>	<u>(163,298)</u>
Total nonoperating revenue	214,590	97,492	150,422
Withdrawals - Member capital	<u>(34,514)</u>	<u>(13,384)</u>	<u>(41,661)</u>
Increase in Net Position	3,237,031	2,509,630	1,387,231
Net Position - Beginning of year	<u>25,548,550</u>	<u>23,038,920</u>	<u>21,651,689</u>
Net Position - End of year	<u>\$ 28,785,581</u>	<u>\$ 25,548,550</u>	<u>\$ 23,038,920</u>

The Pool's membership increased from 499 members in 2015 to 520 members in 2016. Member contributions increased approximately 4 percent, from \$17,570,717 in 2015 to \$18,310,182 in 2016, consistent to the increase in membership.

Public Entities Pool of Ohio

Management's Discussion and Analysis (Continued)

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of the Pool's claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains risks up to an amount specified in the contracts (at December 31, 2016, the Pool retained \$350,000 for casualty claims and \$100,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Reinsurance premiums ceded to APEEP and the Pool's excess reinsurers totaled approximately \$3,634,000 and \$3,282,000 for the years ended December 31, 2016 and 2015, respectively. In addition, amounts deducted from claims and claim adjustment expense reserves as of December 31, 2016 and 2015 for expected recoveries under the reinsurance and excess risk-sharing agreements totaled approximately \$4,597,000 and \$5,590,000, respectively.

In accordance with generally accepted accounting standards, all investments maintained by the Pool must be reported at fair market value (marked-to-market concept). Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net position as unrealized gains or losses on investments. Net realized and unrealized losses on investments totaled \$53,417 and \$147,641 for the years ended December 31, 2016 and 2015, respectively.

Total operating expenses of the Pool increased slightly from the prior year, totaling \$12,091,971 and \$12,041,069, respectively, in 2016 and 2015. Operating expenses totaled 66 percent and 69 percent of member contributions in 2016 and 2015, respectively.

Economic Factors and Next Year's Rates

The rates charged by the Pool for member contributions for the next year are not expected to change significantly. All other operating expenses are expected to remain consistent with amounts reported in 2016. The provision for claims payments is expected to be consistent with historical trends and Management is unaware of any new economic or legislative events that would have a significant impact on the operations of the Pool.

Contacting the Pool's Management

This financial report is intended to provide PEP members and regulators with a general overview of the accountability for the revenue PEP receives. Additional information regarding the Pool can be found on PEP's website, www.pepohio.org. If you have questions about this report or need additional information, contact John W. Brockschmidt, President, York Risk Pooling Services, Inc. at (248) 671-1742.

Public Entities Pool of Ohio

Statement of Net Position

	December 31, 2016	December 31, 2015
Current Assets		
Cash and cash equivalents (Note 2)	\$ 4,782,584	\$ 3,603,192
Investment securities - At fair value (Notes 2 and 3)	4,987,032	3,701,263
Member contributions receivable	2,408,397	2,388,055
Reinsurance receivable on paid claims (Note 5)	117,899	216,568
Deductible receivable	29,500	19,500
Member contributions to be billed in the future	3,900,000	4,400,000
Accrued investment income	110,685	82,935
	<u>16,336,097</u>	<u>14,411,513</u>
Noncurrent Assets		
Investment securities - At fair value (Notes 2 and 3)	18,260,304	17,282,674
Member contributions to be billed in the future	7,585,880	6,613,490
	<u>25,846,184</u>	<u>23,896,164</u>
Total noncurrent assets	<u>25,846,184</u>	<u>23,896,164</u>
Total assets	<u>\$ 42,182,281</u>	<u>\$ 38,307,677</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 872,155	\$ 901,061
Claims and claim adjustment expense reserves (Note 4)	4,390,730	4,932,935
Reinsurance premiums payable (Note 5)	478,951	246,981
	<u>5,741,836</u>	<u>6,080,977</u>
Total current liabilities	<u>5,741,836</u>	<u>6,080,977</u>
Noncurrent Liabilities		
Claims and claim adjustment expense reserves (Note 4)	7,585,880	6,613,490
Unearned premium reserves	68,984	64,660
	<u>7,654,864</u>	<u>6,678,150</u>
Total noncurrent liabilities	<u>7,654,864</u>	<u>6,678,150</u>
Total liabilities	<u>\$ 13,396,700</u>	<u>\$ 12,759,127</u>
Net Position - Unrestricted	<u>\$ 28,785,581</u>	<u>\$ 25,548,550</u>

Public Entities Pool of Ohio

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2016	2015
Operating Revenue		
Member contributions (Note 7)	\$ 18,310,182	\$ 17,570,717
Reinsurance premiums ceded (Note 5)	(3,633,646)	(3,281,924)
Change in contributions that will be billed in the future to pay unpaid claims	472,390	177,798
Total operating revenue	15,148,926	14,466,591
Operating Expenses		
Claims and claim adjustment expenses (Note 4):		
Paid	7,630,408	11,710,578
Recoveries	(1,892,313)	(5,670,349)
Change in claims and claim adjustment expense reserves	430,185	362,853
Total claims and claim adjustment expenses	6,168,280	6,403,082
Marketing and administrator fees	5,314,931	5,088,212
Other	608,760	549,775
Total operating expenses	12,091,971	12,041,069
Operating Income	3,056,955	2,425,522
Nonoperating Revenue (Expenses)		
Investment earnings - Interest and dividends	288,071	277,010
Net realized and unrealized losses on investments	(53,417)	(147,641)
Cumulative reserve fund distributions (Note 6)	(20,064)	(31,877)
Total nonoperating revenue	214,590	97,492
Withdrawals - Member capital	(34,514)	(13,384)
Change in Net Position	3,237,031	2,509,630
Net Position - Beginning of year	25,548,550	23,038,920
Net Position - End of year	\$ 28,785,581	\$ 25,548,550

Public Entities Pool of Ohio

Statement of Cash Flows

	Year Ended December 31	
	2016	2015
Cash Flows from Operating Activities		
Cash received from members	\$ 18,294,164	\$ 17,351,548
Cash received from reinsurance recoveries	1,990,982	5,633,267
Cash paid for claims	(7,640,408)	(11,700,578)
Cash paid for reinsurance premiums	(3,401,676)	(3,256,371)
Cash paid for administrative and general expenses	(5,939,065)	(5,568,069)
Net cash provided by operating activities	3,303,997	2,459,797
Cash Flows from Investing Activities		
Investment income received	260,321	282,166
Purchase of investments	(7,625,290)	(7,438,900)
Proceeds from sales and maturities of investments	5,308,474	4,516,120
Net cash used in investing activities	(2,056,495)	(2,640,614)
Cash Flows from Noncapital Financing Activities		
Payments for member withdrawals - Capitalization	(34,514)	(13,384)
Payments for member cumulative reserve fund distributions	(33,596)	(61,619)
Net cash used in noncapital financing activities	(68,110)	(75,003)
Net Increase (Decrease) in Cash and Cash Equivalents	1,179,392	(255,820)
Cash and Cash Equivalents - Beginning of year	3,603,192	3,859,012
Cash and Cash Equivalents - End of year	\$ 4,782,584	\$ 3,603,192

Public Entities Pool of Ohio

Statement of Cash Flows (Continued)

A reconciliation of operating income to net cash provided by operating activities is as follows:

	Year Ended December 31	
	2016	2015
Operating income	\$ 3,056,955	\$ 2,425,522
Adjustments to reconcile operating income to net cash from operating activities:		
(Increase) decrease in assets:		
Member contributions receivable	(20,342)	(186,457)
Deductibles receivable	(10,000)	10,000
Reinsurance receivable on paid claims	98,669	(37,082)
Member contributions to be billed in the future	(472,390)	(177,798)
(Decrease) increase in liabilities:		
Unearned premium reserves	4,324	(32,712)
Claims and claim adjustment expense reserves	430,185	362,853
Reinsurance premiums payable	231,970	25,553
Accounts payable and accrued expenses	(15,374)	69,918
Net cash provided by operating activities	<u>\$ 3,303,997</u>	<u>\$ 2,459,797</u>
Supplemental Disclosure of Cash Flow Information -		
Noncash investing activities - Net unrealized losses and amortization on investments	<u>\$ (58,071)</u>	<u>\$ (166,315)</u>

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note I - Nature of Business and Significant Accounting Policies

The Pool was created in March 1987 and organized under the laws of the State of Ohio as a local government risk pool. The Association of Ohio Health Commissioners and the Ohio Parks and Recreation Association endorse and promote the Pool. A total of 520 political subdivisions within the State of Ohio participate in the Pool. The Pool's primary objective is to formulate, develop, and administer, on behalf of its members, a program of managing property losses and third-party casualty claims, to obtain stable costs for that coverage, and to develop a comprehensive loss control program.

Members entering the Pool agree to participate in the Pool for a period of not less than one year and provide capitalization contributions as defined in the contract between the member and the Pool. Members electing to withdraw from the Pool may receive a partial refund of their capitalization contribution as defined by the contract, provided the member has given 60 days' written notice prior to its anniversary date. In addition, upon withdrawal, all payments for casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal.

The accompanying basic financial statements are presented using the full accrual method of accounting in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities.

The Pool distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue relates to member contributions. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating.

The Pool engages York Risk Pooling Services, Inc. ("York" or "Management") to serve as the administrator of the Pool. York specializes in public entity risk pool management and provides a full spectrum of administrative services. As provided for in its administrative agreement, York contracts specific services to subcontractors. Marketing and member services are provided by Burnham and Flower Agency of Ohio, Inc. and USI Midwest, LLC. Claim and loss control services are provided by York's wholly owned subsidiary, Public Entity Risk Services of Ohio. PEP reimburses each of these organizations for their services pursuant to the terms of their respective agreements with York.

Cash Equivalents - Cash equivalents are liquid assets maturing no more than three months from purchase date and include money market investment pools.

Investments - Investments are stated at fair value, based on quoted market prices. Investment income is recognized when earned.

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investment Earnings - Investment earnings, including changes in the fair value of investments, are recognized as nonoperating revenue (expense) in the statement of revenue, expenses, and changes in net position.

Member Contributions Receivable - Member contributions receivable represent amounts due from members of the Pool and are considered collectible. Accordingly, the Pool has no allowance for doubtful accounts for financial reporting purposes.

Member Contributions to be Billed in the Future - Member contributions to be billed in the future represent the amounts recoverable from members that have not been billed as of December 31 and directly relate to current estimates of unpaid claims and claim adjustment expenses. These amounts will be billed in the period when the estimated incurred claims, claim adjustment expenses, and related administrative expenses for each certificate year are anticipated to be paid.

Claims and Claim Adjustment Expense Reserves - Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claim expenses from reported claims and claims incurred but not reported. Expected recoveries under reinsurance and excess risk-sharing agreements are deducted from claims and claim expense reserves. Changes to estimates are currently reflected in the statement of revenue, expenses, and changes in net position.

Capitalization Contributions - Casualty capitalization contributions are accounted for under the provisions of GASB Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools (Interpretation No. 4)*. Under Interpretation No. 4, capitalization contributions to pools to which risk is transferred must be accounted for as revenue by initially recording such contributions as unearned premiums, then amortizing them into revenue over an appropriate period not to exceed 10 years. Unearned premium reserves resulting from the application of Interpretation No. 4 are being amortized pro rata over the funding period, the period over which a member makes casualty capitalization contributions.

Member Contributions - Member contributions are recognized under the accrual method of accounting and follow the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Member contributions reflect the amount to be contributed by members for estimated payment of claims and claim adjustment expenses, reinsurance expenses, related operating expenses and surplus maintenance for each certificate year, and are recognized when billed. Paid claims and claim adjustment expenses for the subsequent certificate year are estimated using a variety of actuarial and statistical techniques.

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Cumulative Reserve Fund Distributions - In accordance with the membership agreement, the Board of Directors may authorize distributions of cumulative reserve funds ("CRF") to members. Members must meet certain qualifications and their CRF account balance must exceed levels as determined by the Board of Directors. If the Board of Directors approves a CRF Distribution Plan, amounts to be distributed under this plan are determined annually based on a variety of factors including risk assumed by the Pool, operating results, changes in doctrines of legal liability, changes in damage awards, investment markets and other insurance industry developments. Amounts are reflected in the basic financial statements in the year the distribution is approved by the Board of Directors.

Use of Estimates - Management has made a number of estimates and assumptions, relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as of the statement of net position date and the amounts of revenue and expenses during the reporting period, in order to prepare these basic financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Tax Status - The Pool's income is excludable from gross income under Section 115 of the Internal Revenue Code and is thus exempt from federal income taxes. Management believes that the Pool continues to operate in a manner whereby it continues to be tax exempt.

New Accounting Pronouncements - As of January 1, 2016, the Pool adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement enhance comparability of basic financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements also enhance fair value application guidance and related disclosures in order to provide information to basic financial statement users about the impact of fair value measurements on a government's financial position. The Pool applied this statement retrospectively by providing comparative disclosures for each period presented. The adoption of this statement did not have a significant impact on amounts reported in the basic financial statements.

As of January 1, 2016, the Pool adopted Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption of this statement did not have a significant impact on amounts reported in the basic financial statements.

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Reclassifications - Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

Note 2 - Deposits and Investments

The Pool designated Fifth Third Bank, ClearArc Capital, Inc., Star Plus, and Star Ohio for the deposit of its funds and handling the investments for the Pool.

Deposits and investments are reported in the basic financial statements for December 31, 2016 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits - Cash	\$ 1,171,702	\$ -
Investments:		
Money market investment pools	3,610,882	-
Corporate bonds	-	1,178,251
U.S. Treasury securities	-	18,210,739
U.S. agencies and pass-throughs	-	3,858,346
Total investments	<u>3,610,882</u>	<u>23,247,336</u>
Total	<u>\$ 4,782,584</u>	<u>\$ 23,247,336</u>

Deposits and investments are reported in the basic financial statements for December 31, 2015 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits - Cash	\$ 763,339	\$ -
Investments:		
Money market investment pools	2,839,853	-
Corporate bonds	-	1,442,259
U.S. Treasury securities	-	15,811,022
U.S. agencies and pass-throughs	-	3,730,656
Total investments	<u>2,839,853</u>	<u>20,983,937</u>
Total	<u>\$ 3,603,192</u>	<u>\$ 20,983,937</u>

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 2 - Deposits and Investments (Continued)

There are no limitations or restrictions on participant withdrawals for money market investment pools, which are recorded at amortized cost.

The Pool's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits - The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses. At December 31, 2016 and 2015, the Pool had \$13,709 and \$279,227, respectively, of checking account deposits that were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Board of Directors has adopted, and reviews annually, a banking policy to ensure risk of loss of the Pool's deposits is negligible.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. During 2015, the Pool amended its investment policy to restrict the maximum maturity for any one issue to no more than 5 years. The Pool's policy also minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Pool's cash requirements.

At December 31, 2016, the Pool had the following weighted average maturities of money market investment pools and debt securities by investment type:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money market investment pools*	\$ 3,610,882	0.14
Corporate bonds	1,178,251	1.47
U.S. Treasury securities	18,210,739	2.55
U.S. agencies and pass-throughs	3,858,346	2.75
Total fair value	<u>\$ 26,858,218</u>	
Portfolio weighted average maturity		<u>2.21</u>

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 2 - Deposits and Investments (Continued)

At December 31, 2015, the Pool had the following weighted average maturities of money market investment pools and debt securities by investment type:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money market investment pools*	\$ 2,839,853	0.12
Corporate bonds	1,442,259	2.09
U.S. Treasury securities	15,811,022	2.53
U.S. agencies and pass-throughs	3,730,656	3.44
Total fair value	<u>\$ 23,823,790</u>	
Portfolio weighted average maturity		<u>2.36</u>

* Recorded at amortized cost

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligations. In accordance with the Pool's investment policy, the Pool may invest in U.S. Treasury securities, U.S. agencies and pass-throughs, corporate bonds, and money market mutual funds or investment pools.

At December 31, 2016 and 2015, the credit quality ratings of money market investment pools and debt securities by investment type (other than the U.S. Treasury securities) are as follows:

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 2 - Deposits and Investments (Continued)

Investment Type - Rating	Fair Value 2016	Fair Value 2015
Corporate bonds:		
Aa1	\$ -	\$ 179,509
Aa2	180,322	176,248
Aa3	184,871	275,045
A1	633,224	450,843
A2	179,834	360,614
Total	\$ 1,178,251	\$ 1,442,259
U.S. agencies and pass-throughs:		
AAA	\$ 3,858,346	\$ 3,609,489
Not rated	-	121,167
Total	\$ 3,858,346	\$ 3,730,656
Money market investment pools* - Aaa	\$ 3,610,882	\$ 2,839,853

* Recorded at amortized cost

The rating organizations used by the Pool to rate its investments were Moody's and Standard and Poor's.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pool places no limit on the amount it may invest in any one issuer.

At December 31, 2016, the Pool had investments in issuers (excluding U.S. Treasury securities and money market investment pools) greater than 5 percent of total investments which included \$1,768,715 in Fannie Mae and \$1,251,094 in Freddie Mac; these investments represented 7.6 percent and 5.4 percent, respectively, of the Pool's total investments.

At December 31, 2015, the Pool had investments in issuers (excluding U.S. Treasury securities and money market investment pools) greater than 5 percent of total investments which included \$1,173,258 in Fannie Mae, \$1,191,264 in Federal Home Loan Bank and \$1,366,134 in Freddie Mac; these investments represented 5.6 percent, 5.7 percent and 6.5 percent, respectively, of the Pool's total investments.

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the basic financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Pool has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The following tables present information about the Pool's assets measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets Measured at Fair Value on a Recurring Basis at December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
U.S. Treasury securities	\$ -	\$ 18,210,739	\$ -	\$ 18,210,739
U.S. agencies and pass-throughs	-	3,858,346	-	3,858,346
Corporate bonds	-	1,178,251	-	1,178,251
Total assets	\$ -	\$ 23,247,336	\$ -	\$ 23,247,336

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
U.S. Treasury securities	\$ -	\$ 15,811,022	\$ -	\$ 15,811,022
U.S. agencies and pass-throughs	-	3,730,656	-	3,730,656
Corporate bonds	-	1,442,259	-	1,442,259
Total assets	\$ -	\$ 20,983,937	\$ -	\$ 20,983,937

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements (Continued)

The following summarizes the valuation methodology used in determining fair value measurements of the significant classes of the Pool's financial instruments:

Level 2 Measurements

The Pool estimates the fair value of U.S. Treasury securities, U.S. agencies and pass-throughs, and corporate bonds using other inputs such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals.

Note 4 - Claims and Claim Adjustment Expense Reserves

For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, claim frequency and severity, and other economic factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Because these estimates are impacted by complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claim reserves does not necessarily result in an exact amount, particularly for coverage such as third-party liability; therefore, it is reasonably possible that a material change in the estimate will occur within the near term and thus the actual claims paid may be substantially different than these estimates. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which the adjustments are made.

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 4 - Claims and Claim Adjustment Expense Reserves (Continued)

The following represents changes in claims and claim adjustment expense reserves for the years ended December 31, 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Claims and Claim Adjustment Expense Reserves -			
Beginning of year	\$ 11,546,425	\$ 11,183,572	\$ 11,642,576
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	6,945,440	7,024,456	8,190,471
Change in provision for claims incurred in prior years	<u>(777,160)</u>	<u>(621,374)</u>	<u>(1,431,189)</u>
Total incurred claims and claim adjustment expenses	6,168,280	6,403,082	6,759,282
Payments			
Claims and claim adjustment expenses paid for claims incurred in current year	(2,264,371)	(1,949,023)	(3,297,707)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(3,473,724)</u>	<u>(4,091,206)</u>	<u>(3,920,579)</u>
Total payments	<u>(5,738,095)</u>	<u>(6,040,229)</u>	<u>(7,218,286)</u>
Claims and Claim Adjustment Expense Reserves -			
End of year	<u>\$ 11,976,610</u>	<u>\$ 11,546,425</u>	<u>\$ 11,183,572</u>

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

Note 5 - Reinsurance and Excess Risk-Sharing Agreements

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large specific and aggregate losses. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements. Premiums ceded to reinsurance carriers and the risk-sharing pool during the years ended December 31, 2016 and 2015 totaled \$3,633,646 and \$3,281,924 respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2016 and 2015 for reinsurance and excess risk-sharing agreements totaled approximately \$4,597,000, and \$5,590,000, respectively.

Public Entities Pool of Ohio

Notes to Basic Financial Statements December 31, 2016 and 2015

Note 5 - Reinsurance and Excess Risk-Sharing Agreements (Continued)

The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by York. APEEP provides reinsurance and excess risk-sharing programs for its member pools, all of which are public entity risk pools.

Note 6 - Member Distributions

Members must make contributions to the CRF for the first six years of membership. Qualifying members may receive distributions from the CRF pursuant to the formulas currently established by the Pool. CRF distributions charged to operations for qualifying members totaled \$20,064 and \$31,877 during the years ended December 31, 2016 and 2015, respectively.

Note 7 - Member Contributions

The following summarizes the components of member contributions for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Member contributions - Operating	\$ 17,921,166	\$ 17,118,145
Member contributions - Cumulative reserve fund	393,340	419,860
Change in unearned premium reserves	<u>(4,324)</u>	<u>32,712</u>
Total member contributions	<u>\$ 18,310,182</u>	<u>\$ 17,570,717</u>

Required Supplemental Information

Public Entities Pool of Ohio

Casualty Claims Development Information

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Required contributions and investment income:										
Earned	\$ 8,504,660	\$ 8,585,521	\$ 8,223,319	\$ 8,068,139	\$ 7,972,127	\$ 8,388,169	\$ 8,736,443	\$ 8,911,767	\$ 9,411,779	\$ 9,703,699
Ceded	<u>1,551,017</u>	<u>1,334,428</u>	<u>1,333,703</u>	<u>957,296</u>	<u>800,861</u>	<u>789,898</u>	<u>835,889</u>	<u>897,691</u>	<u>971,799</u>	<u>999,587</u>
Net	6,953,643	7,251,093	6,889,616	7,110,843	7,171,266	7,598,271	7,900,554	8,014,076	8,439,980	8,704,112
2. Expenses other than allocated claim adjustment expenses	2,142,248	2,200,369	2,168,868	2,133,237	2,268,851	2,334,576	2,481,455	2,548,221	2,726,435	2,859,460
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	8,567,574	4,947,263	5,878,548	5,081,002	5,196,962	5,689,561	5,261,927	5,911,616	7,440,612	5,364,610
Ceded	<u>2,108,295</u>	<u>493,314</u>	<u>236,163</u>	<u>437,006</u>	<u>474,966</u>	<u>447,216</u>	<u>486,828</u>	<u>476,256</u>	<u>2,170,538</u>	<u>449,913</u>
Net	6,459,279	4,453,949	5,642,385	4,643,996	4,721,996	5,242,345	4,775,099	5,435,360	5,270,074	4,914,697
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	557,564	787,968	624,011	580,102	554,358	524,312	545,428	840,925	626,089	567,426
One year later	1,778,270	1,211,560	1,264,308	1,250,648	1,053,530	1,241,554	1,195,359	1,750,924	1,329,939	-
Two years later	2,757,846	2,234,344	1,742,187	2,333,252	2,060,045	2,625,140	1,802,007	2,936,086	-	-
Three years later	3,692,117	3,920,781	2,444,958	3,003,044	2,521,064	4,145,523	2,271,048	-	-	-
Four years later	4,277,525	4,214,817	2,852,649	3,378,840	2,731,976	4,413,120	-	-	-	-
Five years later	4,346,264	4,528,970	3,068,040	3,635,590	2,998,835	-	-	-	-	-
Six years later	4,653,646	4,808,304	3,159,779	3,642,607	-	-	-	-	-	-
Seven years later	4,696,293	4,861,574	3,159,779	-	-	-	-	-	-	-
Eight years later	4,707,916	5,018,491	-	-	-	-	-	-	-	-
Nine years later	4,729,638	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	1,641,139	541,067	-	-	264,303	688,279	1,155,664	364,879	1,597,814	449,913
6. Re-estimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	6,459,279	4,453,949	5,642,385	4,643,996	4,721,996	5,242,345	4,775,099	5,435,360	5,270,074	4,914,697
One year later	5,362,506	4,733,399	4,521,978	4,533,908	4,203,808	4,501,803	4,244,216	5,491,228	4,511,307	-
Two years later	5,152,036	4,611,126	3,616,875	3,904,773	3,604,938	4,432,520	3,319,668	5,240,907	-	-
Three years later	4,811,063	5,062,790	3,383,320	3,595,613	2,834,890	4,469,031	3,048,794	-	-	-
Four years later	4,651,758	5,237,054	3,103,679	3,557,461	2,955,133	4,706,822	-	-	-	-
Five years later	4,569,051	5,113,250	3,252,611	3,689,458	3,109,163	-	-	-	-	-
Six years later	4,887,967	5,124,978	3,165,324	3,989,131	-	-	-	-	-	-
Seven years later	4,747,908	5,072,920	3,165,324	-	-	-	-	-	-	-
Eight years later	4,773,290	5,025,348	-	-	-	-	-	-	-	-
Nine years later	4,819,506	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (1,639,773)</u>	<u>\$ 571,399</u>	<u>\$ (2,477,061)</u>	<u>\$ (654,865)</u>	<u>\$ (1,612,833)</u>	<u>\$ (535,523)</u>	<u>\$ (1,726,305)</u>	<u>\$ (194,453)</u>	<u>\$ (758,767)</u>	<u>\$ -</u>

Public Entities Pool of Ohio

Property Claims Development Information

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Required contributions and investment income:										
Earned	\$ 6,270,981	\$ 6,380,983	\$ 6,094,467	\$ 6,270,466	\$ 6,257,762	\$ 6,910,992	\$ 7,494,153	\$ 7,875,457	\$ 8,425,793	\$ 8,888,250
Ceded	1,778,608	1,684,793	1,660,953	1,840,356	1,788,590	2,056,470	1,939,548	1,997,820	2,369,297	2,396,064
Net	4,492,373	4,696,190	4,433,514	4,430,110	4,469,172	4,854,522	5,554,605	5,877,637	6,056,496	6,492,186
2. Expenses other than allocated claim adjustment expenses	2,101,034	2,111,180	2,074,129	2,121,004	2,126,641	2,369,179	2,575,495	2,713,546	2,911,552	3,064,231
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	2,235,674	3,620,911	1,370,215	2,073,021	3,134,553	2,298,094	1,940,649	1,286,757	1,758,784	2,393,945
Ceded	63,212	507,690	-	-	162,457	-	186,914	8,543,300	15,888	363,202
Net	2,172,462	3,113,221	1,370,215	2,073,021	2,972,096	2,298,094	1,753,735	2,743,457	1,742,896	2,030,743
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	1,523,208	2,413,197	1,042,263	1,640,749	2,162,237	1,876,870	1,397,946	2,445,127	1,311,448	1,696,945
One year later	1,609,225	2,682,762	1,327,989	1,945,496	2,736,818	2,246,580	1,758,704	2,719,766	1,600,684	-
Two years later	1,618,131	2,699,177	1,338,607	1,938,011	2,798,329	2,349,919	1,759,449	2,712,666	-	-
Three years later	1,618,283	2,699,152	1,342,717	1,939,385	2,798,931	2,351,411	1,759,449	-	-	-
Four years later	1,619,635	2,699,076	1,341,116	1,939,765	2,821,504	2,427,025	-	-	-	-
Five years later	1,633,669	2,699,076	1,340,241	1,942,188	2,814,801	-	-	-	-	-
Six years later	1,609,564	2,698,876	1,339,586	1,942,913	-	-	-	-	-	-
Seven years later	1,610,062	2,698,826	1,338,711	-	-	-	-	-	-	-
Eight years later	1,610,062	2,694,059	-	-	-	-	-	-	-	-
Nine years later	1,610,062	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	108,129	548,799	-	-	393,389	72,410	104,748	8,104,603	-	363,202
6. Re-estimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	2,172,462	3,113,221	1,370,215	2,073,021	2,972,096	2,298,094	1,753,735	2,743,457	1,742,896	2,030,743
One year later	1,727,990	2,739,948	1,394,248	1,950,689	2,772,519	2,407,993	1,758,704	2,741,609	1,696,903	-
Two years later	1,642,576	2,699,353	1,354,335	1,944,184	2,811,245	2,361,354	1,759,449	2,741,302	-	-
Three years later	1,618,841	2,699,152	1,358,338	1,940,279	2,826,226	2,399,912	1,759,449	-	-	-
Four years later	1,631,893	2,699,076	1,351,037	1,939,052	2,823,006	2,430,817	-	-	-	-
Five years later	1,637,302	2,699,076	1,350,162	1,960,397	2,814,801	-	-	-	-	-
Six years later	1,612,638	2,698,876	1,349,507	1,960,130	-	-	-	-	-	-
Seven years later	1,610,062	2,698,826	1,348,632	-	-	-	-	-	-	-
Eight years later	1,610,062	2,694,059	-	-	-	-	-	-	-	-
Nine years later	1,610,062	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (562,400)</u>	<u>\$ (419,162)</u>	<u>\$ (21,583)</u>	<u>\$ (112,891)</u>	<u>\$ (157,295)</u>	<u>\$ 132,723</u>	<u>\$ 5,714</u>	<u>\$ (2,155)</u>	<u>\$ (45,993)</u>	<u>\$ -</u>

Public Entities Pool of Ohio

Statement of Reconciliation of Claims and Claim Adjustment Expense Reserves by Type of Contract

	Fiscal and Policy Years Ended December 31					
	2016			2015		
	Casualty	Property	Total	Casualty	Property	Total
Claims and Claim Adjustment Expense Reserves -						
Beginning of year	\$ 11,013,489	\$ 532,936	\$ 11,546,425	\$ 10,835,692	\$ 347,880	\$ 11,183,572
Incurred Claims and Claim Adjustment Expenses						
Provision for claims incurred in current year	4,914,697	2,030,743	6,945,440	5,278,810	1,745,646	7,024,456
Change in provision for claims incurred in prior years	<u>(746,752)</u>	<u>(30,408)</u>	<u>(777,160)</u>	<u>(676,249)</u>	<u>54,875</u>	<u>(621,374)</u>
Total incurred claims and claim adjustment expenses	4,167,945	2,000,335	6,168,280	4,602,561	1,800,521	6,403,082
Payments						
Claims and claim adjustment expenses paid for claims incurred in current year	(567,426)	(1,696,945)	(2,264,371)	(634,824)	(1,314,199)	(1,949,023)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(3,128,128)</u>	<u>(345,596)</u>	<u>(3,473,724)</u>	<u>(3,789,940)</u>	<u>(301,266)</u>	<u>(4,091,206)</u>
Total payments	<u>(3,695,554)</u>	<u>(2,042,541)</u>	<u>(5,738,095)</u>	<u>(4,424,764)</u>	<u>(1,615,465)</u>	<u>(6,040,229)</u>
Claims and Claim Adjustment Expense Reserves -						
End of year	<u>\$ 11,485,880</u>	<u>\$ 490,730</u>	<u>\$ 11,976,610</u>	<u>\$ 11,013,489</u>	<u>\$ 532,936</u>	<u>\$ 11,546,425</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Public Entities Pool 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 basic financial statements of Public Entities Pool of Ohio (the "Pool") which comprise the basic statement of financial position as of December 31, 2016, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and related notes to the basic financial statements, and have issued our report thereon dated May 17, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's basic 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.

To Management and the Board of Directors
Public Entities Pool of Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Entities Pool of Ohio's basic 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 the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

May 17, 2017

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Dave Yost • Auditor of State

PUBLIC ENTITIES POOL OF OHIO

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 13, 2017**