

Ohio Valley Public Employees Joint
Self-Insurance Cooperative
Jefferson County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
December 31, 2015 & December 31, 2016



Dave Yost • Auditor of State

Board of Directors
Ohio Valley Public Employees Joint Self-Insurance Cooperative
2023 Sunset Blvd
Steubenville, Ohio 43952

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Public Employees Joint Self-Insurance Cooperative, Jefferson County, prepared by Rea & Associates, Inc., for the audit period June 1, 2015 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 Ohio Valley Public Employees Joint Self-Insurance Cooperative is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 19, 2018

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Ohio Valley Public Employees Joint Self-Insurance Cooperative
Jefferson County, Ohio

Table of Contents
December 31, 2015 & December 31, 2016

| | |
|---|----|
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Statements of Net Position..... | 5 |
| Statements of Revenues, Expenses, and Change in Net Position | 6 |
| Statement of Cash Flows..... | 7 |
| Notes to the Basic Financial Statements | 8 |
| Required Supplemental Information: | |
| Schedule of Claims Development..... | 14 |
| Independent Auditor’s Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> | 16 |

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March 9, 2018

To the Board of Directors
Ohio Valley Public Employees Joint
Self-Insurance Cooperative
2023 Sunset Blvd
Steubenville, OH 43952

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Valley Public Employees Joint Self-Insurance Cooperative, Jefferson County, Ohio, (OV-INS CO-OP) as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, which collectively comprise the OV-INS CO-OP'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*. 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 the OV-INS CO-OP'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 the OV-INS CO-OP'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the Ohio Valley Public Employees Joint Self-Insurance Cooperative, Jefferson County, Ohio, as of December 31, 2016 and December 31, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-4 and the Schedule of Claims Development on pages 14-15 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 our report dated March 9, 2018 on our consideration of the OV-INS CO-OP'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 solely 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 effectiveness of the OV-INS CO-OP's 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 OV-INS CO-OP's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

Our discussion and analysis of the Ohio Valley Public Employees Joint Self-Insurance Cooperative's (OV-InsCo-op) financial performance provides an overview of OV-InsCo-op's financial activities for the years ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015. The intent of the Management's Discussion and Analysis is to provide an overview of OV-InsCo-op's financial performance as a whole. The readers should also review the basic financial statements and the notes to the basic financial statements in conjunction to the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- As described in Note 1 to the financial statements, OV-InsCo-op has prepared their financial statements using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) to meet the reporting requirements of the Ohio Administrative Code 117-2-03(B).
- OV-InsCo-op's net position was \$(256,563) and \$(97,288), at December 31, 2016 and 2015, respectively. The net position was reduced by the change in net position of \$(159,275) and \$(97,288) for the year ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015, respectively.
- OV-InsCo-op had operating revenues of \$1,910,810 and \$451,681, and operating expenses of \$2,070,216 and \$549,096 for the year ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015, respectively, with operating losses of \$(159,406) and \$(97,415). OV-InsCo-op had investment earnings of \$131 and \$127 for the year then ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015, respectively. The increase in operating revenues and expenses between 2015 and 2016 was due to increasing membership from 3 members at December 31, 2015 to 8 members at December 31, 2016.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements, notes to the financial statements and required supplemental information. The statement of net position and the statement of revenues, expenses, and change in net position provide information about the activities of OV-InsCo-op as a whole and present a longer-term view of OV-InsCo-op's finances.

- **Statement of Net Position** – statement includes all of OV-INSCO-OP's assets and liabilities. The statement provides information about the nature and amount of resources (assets) owned by OV-InsCo-op, and obligations owed by OV-INSCO-OP (liabilities) at December 31, 2016 and 2015. OV-InsCo-op's net position is the difference between the assets and liabilities.
- **Statement of Revenues, Expenses, and Change in Net Position** – statement includes information on OV-InsCo-op's operating and non-operating revenue and expenses for the year ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015. Operating revenue consists primarily of contributions from members and receipts from the Large Claim Reimbursement Program, and the major sources of operating expenses consist of claims payments and administrative fees. Non-operating revenue and expenses consist of investment earnings.

**OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015**

USING THIS ANNUAL REPORT (Continued)

- **Statement of Cash flows** – statement is prepared on the direct method of reporting and provides information about OV-InsCo-op's cash receipts and cash disbursements. The statement is summarized with the net change resulting from operating and investing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2016 and 2015, OV-InsCo-op had no capital assets

During the years 2016 and 2015, OV-InsCo-op had no debt outstanding.

BUDGET HIGHLIGHTS

OV-InsCo-op is not required to follow the budgetary provisions set forth in the Ohio Revised Code Chapter 5705.

CONTACTING THE OV-INSCO-OP'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, investors, and creditors with a general overview of OV-InsCo-op's finances and to show OV-InsCo-op's accountability for the money it received. If you have any questions about this report or need additional information, contact the fiscal officer, Don Donahue, 2023 Sunset Blvd., Steubenville, Ohio, 43952.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

| | 2016 | 2015 |
|--|-------------|-------------|
| ASSETS | | |
| Current assets | | |
| Large Claim Reimbursement Program receivable | \$ 61,038 | \$ 32,581 |
| Total assets | \$ 61,038 | \$ 32,581 |
| LIABILITIES AND NET POSITION | | |
| Current liabilities | | |
| Reserve for claims | \$ 224,524 | \$ 107,702 |
| Accounts payable | 75,782 | 10,037 |
| Accrued expenses | 9,360 | 4,680 |
| Unearned revenue | 7,935 | 7,450 |
| Total liabilities | 317,601 | 129,869 |
| Net position | | |
| Unrestricted | (256,563) | (97,288) |
| Total net position | (256,563) | (97,288) |
| Total liabilities and net position | \$ 61,038 | \$ 32,581 |

The accompanying notes are an integral part of these financial statements.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For The Year Ended December 31, 2016
And For The Period From June 1, 2015 (Inception) To December 31, 2015

| | <u>2016</u> | <u>2015</u> |
|------------------------------------|---------------------|--------------------|
| Operating revenues | | |
| Contributions from members | \$ 1,696,507 | \$ 377,799 |
| Large Claim Reimbursement Program | 207,589 | 73,882 |
| Rebates | 6,714 | 0 |
| Total operating revenues | <u>1,910,810</u> | <u>451,681</u> |
| Operating expenses | | |
| Claims expense | 1,513,433 | 434,848 |
| Administrative fees | 122,686 | 24,073 |
| Affordable Care Act fees and taxes | 4,321 | 3,026 |
| Large Claim Reimbursement Program | 423,905 | 85,412 |
| Aggregate Reimbursement Program | 1,286 | 701 |
| Life and vision premiums | 4,585 | 1,036 |
| Total operating expenses | <u>2,070,216</u> | <u>549,096</u> |
| Operating loss | (159,406) | (97,415) |
| Non-operating revenue | | |
| Investment earnings | 131 | 127 |
| Total non-operating revenue | <u>131</u> | <u>127</u> |
| Change in net position | (159,275) | (97,288) |
| Net position | | |
| Beginning of year | <u>(97,288)</u> | <u>0</u> |
| Ending of year | <u>\$ (256,563)</u> | <u>\$ (97,288)</u> |

The accompanying notes are an integral part of these financial statements.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016
And For The Period From June 1, 2015 (Inception) To December 31, 2015

| | 2016 | 2015 |
|--|--------------|------------|
| Cash Flows from Operating Activities | | |
| Cash received from members | \$ 1,696,992 | \$ 385,249 |
| Cash received from other | 179,132 | 41,301 |
| Cash received from rebates | 6,714 | 0 |
| Cash paid for claims | (1,396,611) | (327,146) |
| Cash paid for administrative and general expenses | (486,358) | (99,531) |
| Net cash used in operating activities | (131) | (127) |
| Cash Flows from Investing Activities | | |
| Investment income received | 131 | 127 |
| Net cash provided by investing activities | 131 | 127 |
| Net Change in Cash and Cash Equivalents | 0 | 0 |
| Cash and Cash Equivalents - Beginning of year | 0 | 0 |
| Cash and Cash Equivalents - End of year | \$ 0 | \$ 0 |

A reconciliation of operating loss to net cash used in operating activities is as follows:

| Reconciliation of Operating Loss to Net Cash used in Operating Activities | | |
|---|--------------|-------------|
| Operating loss | \$ (159,406) | \$ (97,415) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Changes in assets and liabilities: | | |
| Large Claim Reimbursement Program receivable | (28,457) | (32,581) |
| Accrued expenses | 4,680 | 4,680 |
| Reserve for claims | 116,822 | 107,702 |
| Accounts payable | 65,745 | 10,037 |
| Unearned revenue | 485 | 7,450 |
| Net cash used in operating activities | \$ (131) | \$ (127) |

There were no noncash transactions in 2016 or 2015.

The accompanying notes are an integral part of these financial statements.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio Valley Public Employees Joint Self-Insurance Cooperative (OV-InsCo-op) organized pursuant to Ohio Revised Code Chapter Section 9.833 was established for the public purpose of enabling its members to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, OV-InsCo-op provides coverage for medical, dental and prescription drug benefits. Members of OV-InsCo-op include the following eight entities: Akron Digital Academy, Huron County Engineers, Kirtland Hills Village, Monroeville Village, Ohio Mid-Eastern Regional Education Service Agency, Portage Township – Ottawa County, Public Library of Steubenville and Jefferson County, and Townsend Community School.

The Managing Board will be comprised of a designee of the Fiscal Agent, the Executive Director of the Jefferson Health Plan, and a designee appointed by the Chairman of the Board of Jefferson Health Plan.

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of OV-InsCo-op and to create adequate reserves for claims and allocated expense.

Besides the standard monthly contributions, OV-InsCo-op may extend an assessment to each participant based on a three-year window calculation determined by an independent consultant. The calculation is based on the ratio of total expense to total income for each member during the previous three years ended December 31, 2016 and 2015. The consultant separately reviews each participant's medical, prescription, vision, and dental balances for potential assessments. Conversely, a participant may be eligible for a month or two-month waiver of its monthly contributions based on the above calculation.

A participant may withdraw from OV-InsCo-op or any particular benefits program.

No members withdrew from OV-InsCo-op during 2016 and 2015, while five and three additional members enrolled during 2016 and 2015, respectively.

The Jefferson County Education Service Center acts as fiscal agent for OV-InsCo-op and is a separate reporting entity with separate financial statements.

OV-InsCo-op management believes that this financial statement presents all activities for which OV-InsCo-op is financially accountable.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

OV-InsCo-op distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from member contributions for insurance coverage and receipts from the Large Claim Reimbursement Program. Operating expenses for OV-InsCo-op include the payment of claims, administrative fees, professional fees and other fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

OV-InsCo-op considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Deposits are either: 1) insured by the Federal Depository Insurance Corporation, 2) collateralized by securities specifically pledged by the financial institution to OV-InsCo-op, or 3) collateralized by the financial institution's public entity deposit pool.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Receivables and Contributions

All receivables are shown net of an allowance for uncollectible amounts, if any. Receivables are recorded as an asset in the period that they are earned. Receivables are written off when deemed uncollectible. OV-InsCo-op had no uncollectible amounts for the year ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015, respectively.

All members are required to remit monthly contributions to OV-InsCo-op, which are used to pay claims and administrative expenses. The monthly contribution is determined for each member in accordance with the number of covered employees and dependents and the prior loss experience of the respective member group that is set each plan year. Member contributions are recorded in revenue in the period that they are earned. A premium moratoria is used to offset member cash remittals to OV-InsCo-op and can be granted up to a three month limit at any one time. A member may request a premium moratoria once they have sufficient reserves. Contributions from members are shown net of approved premium moratoria. There were no approved premium moratoria in 2016 or 2015.

E. Reserve for Claims

Reserves for claims represent OV-InsCo-op's reserves for incurred claims, plus an estimate of provisions for loss development and claims incurred but not reported (IBNR) and allocated and unallocated loss adjustment expenses. See Note 3 for additional information related to OV-InsCo-op's reserve for claims.

F. Unearned Revenue

Unearned revenues represent contributions paid in advance of the coverage date by members at December 31, 2016 or 2015, respectively. The premiums will be recognized as revenue in the month to which they pertain.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Position

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investments in capital assets.”

At December 31, 2016 or 2015, OV-InsCo-op does not have a “restricted” or “net investment in capital assets” net position.

H. Large Claim Reimbursement Program

OV-InsCo-op employs reinsurance agreements (Large Claim Reimbursement Program) to reduce its risk that large losses may be incurred on medical claims. This allows OV-InsCo-op to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

I. Contracted Services

OV-InsCo-op participates in the Jefferson Health Plan (the Health Plan), a claims servicing pool organized under Ohio Revised Code (ORC) Chapter 167, for the purpose of establishing and carrying out a cooperative program to administer insurance benefits for employees of the participating entities and their eligible dependents. The Health Plan contracts with third-party administrators to process and pay claims incurred by its members. The Health Plan also purchases stop-loss coverage for claims in excess of a set amount for individual claims and in the pool’s aggregate.

J. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Budgetary Process

The budgetary process is not a requirement of OV-InsCo-op.

L. Accounts payable

The accounts payable that are recorded on the statement of net position represents amounts due to the Health Plan for deficit cash balances.

M. Subsequent Events

OV-InsCo-op has evaluated all events or transactions subsequent to the statement of net position date of December 31, 2016 through March 9, 2018, which is the date these financial statements were issued, and determined that there are no subsequent events that require disclosure.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

2. RISK MANAGEMENT

Each member of OV-InsCo-op is obligated to pay a fee based on an estimate of the member's share of OV-InsCo-op costs for the year. Included in this estimate are claims by eligible employees, which are payable by each member, the member's share of the medical, prescription, vision and dental premiums, and their proportionate share of the administrative costs of OV-InsCo-op. The actual balance of each member's account is determined on a monthly basis. Each member is required to meet or exceed the claims that have been incurred but not reported and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

Members are required to provide 6 months' notice of withdraw from OV-InsCo-op for the termination, allowing OV-InsCo-op time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by OV-InsCo-op for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of claims incurred prior to the termination of membership so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave OV-InsCo-op will be required to repay the deficit in full within 90 days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

3. DEPOSITS AND INVESTMENTS

The OV-InsCo-op participates in the Jefferson Health Plan, a public entity, risk-sharing, claims servicing and insurance purchasing pool. The money is held by the claims servicing pool in a pooled account, which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by OV-InsCo-op. The Treasurer of the Jefferson County Educational Service Center serves as the Fiscal Agent for the OV-InsCo-op as well as the Jefferson Health Plan. The OV-InsCo-op had no cash balance at December 31, 2016 or December 31, 2015. The Ohio Revised Code prescribes allowable deposits and investments.

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As Of And For The Year Ended December 31, 2016 And As Of December 31, 2015 And For The Period
From June 1, 2015 (Inception) To December 31, 2015

4. RESERVE FOR CLAIMS

The IBNR claims at December 31 are used by the OV-InsCo-op to help determine the rates to charge members. Additionally, the estimation of IBNR, allows the OV-INSCO-OP to compare the liability to the funds reserved and to determine whether the amounts reserved meet the requirements of ORC Section 9.833. The OV-InsCo-op has also established a formal funding policy for claims fluctuation reserves to aid in tempering potential significant fluctuations in premiums and contribution levels that may be required. The IBNR claims liability are based on an analysis of claims that produce a liability estimate consistent with the plan of benefits in force and with administrative practices and have been calculated on a basis that is reasonable and appropriate under the circumstances. The following table represents changes in the reserve for unpaid claims for OV-InsCo-op for the year ended December 31, 2016 and for the period from June 1, 2015 (Inception) to December 31, 2015:

| | 2016 | 2015 |
|--|-------------|-------------|
| Reserves for Unpaid Claims and Claim | | |
| Adjustment Expenses - Beginning of year | \$ 107,702 | \$ 0 |
| Incurred Claims and Claim Adjustment Expenses | | |
| Provision for claims incurred in current year | 1,538,200 | 434,848 |
| Change in provision for claims incurred in prior years | (24,767) | (0) |
| Total incurred claims and claim adjustment expenses | 1,513,433 | 434,848 |
| Payments | | |
| Claims and claim adjustment expenses for claims incurred in current year | (1,313,676) | (327,146) |
| Claims and claim adjustment expenses paid for claims incurred in prior years | (82,935) | (0) |
| Total payments | (1,396,611) | (327,146) |
| Reserves for Unpaid Claims and Claim | | |
| Adjustment Expenses - End of year | \$ 224,524 | \$ 107,702 |

Required Supplemental Information

OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
CLAIMS DEVELOPMENT
For The Year Ended December 31, 2016 And For The Period From June 1, 2015 (Inception) To
December 31, 2015

Claims Development Information

The following table illustrates how OV-InsCo-op earned revenue and investment income compare to related costs of loss and other expenses assumed by OV-InsCo-op as of the end of each of the last two years. The columns of the table show data for successive policy years.

The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of OV-InsCo-op including overhead and claims expense not allocable to individual claims.
3. This line shows OV-InsCo-op's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by excess insurers as of the end of the current year for each accident year.
6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

**OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE
SCHEDULE OF CLAIMS DEVELOPMENT**

For The Year Ended December 31, 2016 And For The Period From June 1, 2015 (Inception) To December 31, 2015

| | 2015 | 2016 |
|---|-------------|--------------|
| 1. Required contributions and investment income: | | |
| Earned | \$ 377,799 | \$ 1,696,507 |
| Ceded | - | - |
| Net | 377,799 | 1,696,507 |
| 2. Expenses other than allocated claim adjustment expenses | 114,248 | 556,783 |
| 3. Estimated claims incurred and expense | | |
| Incurred | 434,848 | 1,538,200 |
| Ceded | - | - |
| Net | 434,848 | 1,538,200 |
| 4. Cumulative paid claims and allocated claim adjustment expenses | | |
| End of policy year | 327,146 | 1,313,676 |
| One year later | 82,935 | - |
| Two years later | - | - |
| Three years later | - | - |
| Four years later | - | - |
| Five years later | - | - |
| Six years later | - | - |
| Seven years later | - | - |
| Eight years later | - | - |
| Nine years later | - | - |
| 5. Re-estimated ceded claims and expenses | - | - |
| 6. Re-estimated incurred claims and allocated claim adjustment expenses | | |
| End of policy year | 434,848 | 1,538,200 |
| One year later | 82,935 | - |
| Two years later | - | - |
| Three years later | - | - |
| Four years later | - | - |
| Five years later | - | - |
| Six years later | - | - |
| Seven years later | - | - |
| Eight years later | - | - |
| Nine years later | - | - |
| 7. (Decrease) increase in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end | \$ 351,913 | \$ - |

* 2015 was the first year of existence.

March 9, 2018

To the Board of Directors
Ohio Valley Public Employees Joint
Self-Insurance Cooperative
2023 Sunset Blvd
Steubenville, OH 43952

Independent Auditor's 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*

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 Ohio Valley Public Employee Joint Self-Insurance Cooperative, Jefferson County, Ohio (OV-INS CO-OP) as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, which collectively comprise the OV-INS CO-OP's basic financial statements, and have issued our report thereon dated March 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OV-INS CO-OP'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OV-INS CO-OP's internal control. Accordingly, we do not express an opinion on the effectiveness of the OV-INS CO-OP'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 entity'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 the OV-INS CO-OP'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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio



Dave Yost • Auditor of State

OHIO VALLEY PUBLIC EMPLOYEES JT SELF-INSURANCE COOPERATIVE

JEFFERSON 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 10, 2018**