



Rea & associates *a brighter way*

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

*Audited Financial Statements*

*For the Fiscal Year Ended*  
December 31, 2017





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Public Employees Joint Self Insurance, Jefferson County, prepared by Rea & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Valley Public Employees Joint Self Insurance is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 27, 2018

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**Ohio Valley Public Employees Joint Self-Insurance Cooperative**  
**Jefferson County, Ohio**  
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*December 31, 2017*

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June 26, 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 year ended December 31, 2017, 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2017, and the changes in its financial position and its cash flows thereof for the year 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 June 26, 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, 2017**

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 year ended December 31, 2017. The intent of the Management's Discussion and Analysis 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 with 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 \$(80,246) and \$(256,563), at December 31, 2017 and 2016, respectively. The net position was increased (reduced) by the change in net position of \$176,317 and \$(159,275) for the years ended December 31, 2017 and 2016, respectively.
- Ov-InsCo-op's assets were \$161,441 and \$61,038, at December 31, 2017 and 2016, respectively. The majority of the increase was due to the Large Claim Reimbursement Program receivable increasing from \$61,038 at December 31, 2016 to \$138,653 at December 31, 2017. Ov-InsCo-op's liabilities were \$241,687 and \$317,601, at December 31, 2017 and 2016, respectively.
- For the years ended December 31, 2017 and 2016, OV-InsCo-op had operating revenues of \$3,147,965 and \$1,910,810, and operating expenses of \$2,971,648 and \$2,070,216, respectively, with operating income (loss) of \$176,317 and \$(159,406), respectively. OV-InsCo-op had investment earnings of \$0 and \$131 for the years ended December 31, 2017 and 2016, respectively. The increase in operating revenues and expenses between 2016 and 2017 was due to all 8 members having a full year of membership.

**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, 2017. 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 years ended December 31, 2017. 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, 2017**

**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 activities.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At December 31, 2017 and 2016, OV-InsCo-op had no capital assets

During the years 2017 and 2016, 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 (ORC) 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**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

**ASSETS**

**Current assets**

Accounts receivable	\$	22,788
Other receivables		<u>138,653</u>
Total assets	\$	<u><u>161,441</u></u>

**LIABILITIES AND NET POSITION**

**Current liabilities**

Reserve for claims	\$	120,000
Accounts payable		39,277
Accrued expenses		15,280
Unearned revenue		<u>67,130</u>
Total liabilities		241,687

**Net position**

Unrestricted		<u>(80,246)</u>
Total net position		<u>(80,246)</u>
Total liabilities and net position	\$	<u><u>161,441</u></u>

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

**OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Operating revenues</b>		
Contributions from members	\$	2,398,880
Large Claim Reimbursement Program		715,234
Rebates		33,851
	Total operating revenues	<u>3,147,965</u>
<b>Operating expenses</b>		
Claims expense		2,272,813
Administrative fees		180,707
Affordable Care Act fees and taxes		275
Large Claim Reimbursement Program		510,825
Life and vision premiums		7,028
	Total operating expenses	<u>2,971,648</u>
	Operating income	<u>176,317</u>
<b>Change in net position</b>		176,317
<b>Net position</b>		
Beginning of year		<u>(256,563)</u>
Ending of year	\$	<u><u>(80,246)</u></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, 2017**

**Cash Flows from Operating Activities**

Cash received from members	\$ 2,435,287
Cash received from other	749,779
Cash received from rebates	33,851
Cash paid for claims	(2,377,337)
Cash paid for administrative and general expenses	(841,580)
Net cash used in operating activities	0

**Net Change in Cash and Cash Equivalents**

0

**Cash and Cash Equivalents - Beginning of year**

0

**Cash and Cash Equivalents - End of year**

\$ 0

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

**Reconciliation of Operating Income to Net Cash used in Operating Activities**

Operating income	\$ 176,317
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(22,788)
Other receivable	(77,615)
Accrued expenses	5,920
Reserve for claims	(104,524)
Accounts payable	(36,505)
Unearned revenue	59,195
Net cash used in operating activities	\$ 0

There were no noncash transactions in 2017.

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, 2017**

**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 ORC 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, vision, 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 is composed of representatives of Member organizations in good standing with OV-InsCo-op. The Managing Board shall be five duly-elected representatives of Members. Management Board members shall be elected by the Assembly with each member of OV-InsCo-op receiving one vote with respect to the election of the Managing Board.

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. The consultant separately reviews each participant's medical, vision, dental, and prescription drug benefits 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 or enrolled into OV-InsCo-op during 2017.

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 these financial statements present 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, 2017**

**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.

OV-InsCo-op utilizes the accrual basis of accounting for financial statement presentation purposes. 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 change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net 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, 2017**

**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, 2017.

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 cash remittals to OV-InsCo-op and can be granted up to a three month limit at any one time. OV-InsCo-op 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 2017.

**E. Other Receivables**

Other receivables include \$138,653 of Large Claim Reimbursement Program receivables at December 31, 2017.

**F. 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 4 for additional information related to OV-InsCo-op's reserve for claims.

**G. Unearned Revenue**

Unearned revenues represent contributions paid in advance of the coverage date by members at December 31, 2017. The contributions will be recognized as revenue in the month to which they pertain.

**H. Net Position**

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

At December 31, 2017, OV-InsCo-op does not have a "restricted" or "net investment in capital assets."



**OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. 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.

**J. Contracted Services**

OV-InsCo-op participates in the Jefferson Health Plan (the Health Plan), a claims servicing pool organized under 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.

**K. 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.

**L. Budgetary Process**

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

**M. 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.

**N. Subsequent Events**

OV-InsCo-op has evaluated all events or transactions subsequent to the statement of net position date of December 31, 2017 through June 26, 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, 2017**

**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 six months' notice of withdrawal 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**

As mentioned in Note 1, OV-InsCo-op participates in the 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 OV-InsCo-op as well as the Health Plan. OV-InsCo-op had no cash balance at December 31, 2017. The ORC 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, 2017**

**4. RESERVE FOR CLAIMS**

The IBNR claims at December 31 are used by OV-InsCo-op to help determine the rates to charge members. Additionally, the estimation of IBNR, allows OV-InsCo-op to compare the liability to the funds reserved and to determine whether the amounts reserved meet the requirements of ORC Chapter Section 9.833. 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 years ended December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
<b>Reserves for Unpaid Claims and Claim</b>		
<b>Adjustment Expenses - Beginning of year</b>	\$ 224,524	\$ 107,702
<b>Incurred Claims and Claim Adjustment Expenses</b>		
Provision for claims incurred in current year	2,327,872	1,538,200
Change in provision for claims incurred in prior years	(55,059)	(24,767)
Total incurred claims and claim adjustment expenses	2,272,813	1,513,433
<b>Payments</b>		
Claims and claim adjustment expenses for claims incurred in current year	(2,207,872)	(1,313,676)
Claims and claim adjustment expenses paid for claims incurred in prior years	(169,465)	(82,935)
Total payments	(2,377,337)	(1,396,611)
<b>Reserves for Unpaid Claims and Claim</b>		
<b>Adjustment Expenses - End of year</b>	\$ 120,000	\$ 224,524

## **Required Supplemental Information**

**OHIO VALLEY PUBLIC EMPLOYEES JOINT SELF-INSURANCE COOPERATIVE  
CLAIMS DEVELOPMENT  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

**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 three 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**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Required contributions and investment income:			
Earned	\$ 377,799	\$ 1,696,507	\$ 2,398,880
Ceded	-	-	-
Net	<u>377,799</u>	<u>1,696,507</u>	<u>2,398,880</u>
2. Expenses other than allocated claim adjustment expenses	114,248	556,783	698,835
3. Estimated claims incurred and expense			
Incurred	434,848	1,538,200	2,327,872
Ceded	-	-	-
Net	<u>434,848</u>	<u>1,538,200</u>	<u>2,327,872</u>
4. Cumulative paid claims and allocated claim adjustment expenses			
End of policy year	327,146	1,313,676	2,207,872
One year later	82,935	169,465	-
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	2,327,872
One year later	82,935	169,465	-
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	\$ 1,368,735	\$ -

\* 2015 was the first year of existence.

June 26, 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 year ended December 31, 2017, 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 June 26, 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 JOINT 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  
SEPTEMBER 11, 2018**