

**MIDWEST POOL RISK
MANAGEMENT AGENCY, INC.**
VAN WERT COUNTY, OHIO

**Basic Financial Statements
(Audited)**

**For the Fiscal Year Ended
November 30, 2019**



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Board of Trustees
Midwest Pool Risk Management Agency
204 S. Blackhoof St Rm 201
Wapakoneta, OH 45895

We have reviewed the *Independent Auditor's Report* of the Midwest Pool Risk Management Agency, Van Wert County, prepared by Julian & Grube, Inc., for the audit period December 1, 2018 through November 30, 2019. 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 Midwest Pool Risk Management Agency is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 18, 2020

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**MIDWEST POOL RISK MANAGEMENT AGENCY
VAN WERT COUNTY, OHIO**

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Independent Auditor's Report

Midwest Pool Risk Management Agency, Inc.
Van Wert County
209 South Blackhoff
Wapakoneta, Ohio 45895

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2019, and the related notes to the financial statements, which collectively comprise the Midwest Pool Risk Management Agency, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Midwest Pool Risk Management Agency, Inc.'s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of November 30, 2019, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements for the fiscal year ended November 30, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Midwest Pool Risk Management Agency, Inc. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and *Ten-Year Loss Development Information*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020, on our consideration of the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 27, 2020

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

The discussion and analysis of the Midwest Pool Risk Management Agency, Inc.'s (the "Agency") financial performance provides an overall review of the Agency's financial activities for the fiscal year ended November 30, 2019. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Agency's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- For 2019, the total net position of the Agency increased \$45,921, which represents a 4.33% increase from November 30, 2018.
- The Agency has hired an independent actuary, Financial Risk Analysts, LLC, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves was \$510,503 at November 30, 2019.
- The Agency had operating revenues of \$1,670,928 and operating expenses of \$1,661,579 for fiscal year 2019. The Agency had \$36,572 in nonoperating revenue, net which includes \$23,049 in interest revenue, \$148,447 in dividends from the Public Entity Risk Consortium (PERC), and \$134,924 in PERC dividends distributed to its members. Operating income and the change in net position for the fiscal year were \$9,349 and \$45,921, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Agency's financial activities. The *statement of net position* and the *statement of revenues, expenses, and changes in net position* provide information about the activities of the Agency, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about the Agency's short-term cash flows needs to support operations.

Reporting the Agency Financial Activities

Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the Agency perform financially during fiscal year 2019?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. This basis of accounting considers all current year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Agency's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Agency as a whole, the *financial position* of the Agency has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Agency's statement of net position and statement of revenues, expenses and changes in net position can be found on pages 7-8 of this report. The statement of cash flows provides information about how the Agency's finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-18 of this report.

Required Supplementary Information

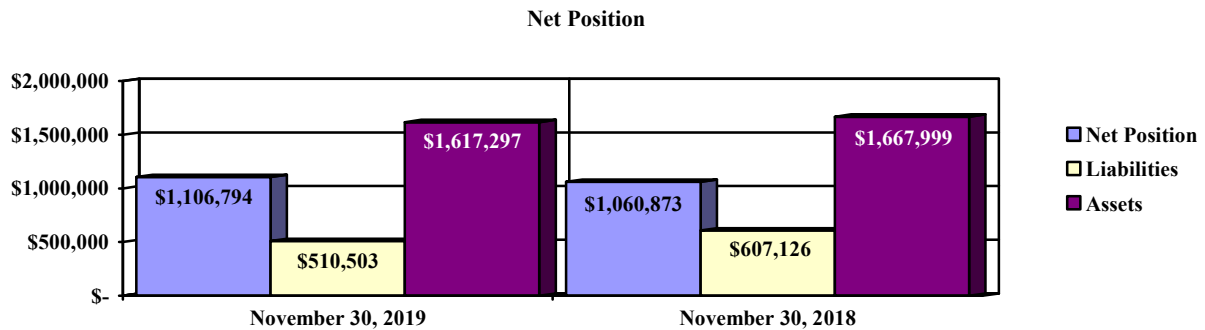
Ten years of loss development information can be found on pages 21-23 of this report.

Net Position and Changes in Net Position

The table below provides a summary of the Agency’s net position at November 30, 2019 and 2018.

Net Position		
	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 1,468,850	\$ 1,350,430
Investments	-	182,645
Receivables:		
Due from PERC	148,447	134,924
Total assets	1,617,297	1,667,999
<u>Liabilities:</u>		
Loss and loss adjustment expense reserves	510,503	607,126
<u>Net Position:</u>		
Unrestricted	\$ 1,106,794	\$ 1,060,873

The Agency redeemed its investments in nonnegotiable CDs during fiscal year 2019 resulting in an increase in cash and cash equivalents. Receivables consist of the dividend due from PERC for fiscal year 2019. This dividend will be received by the Agency in fiscal year 2020. The loss and loss adjustment expense reserve at fiscal year-end is provided by Financial Risk Analysts, LLC, the Agency’s independent actuary. Net position at November 30, 2019 was \$1,106,794, all of which is considered unrestricted. The chart below shows a breakdown of the Agency’s assets, liabilities and net position for 2019:



MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

The table below shows the changes in net position for fiscal year 2019 and 2018.

	2019	2018
<u>Operating revenues:</u>		
Member contributions	\$ 1,670,928	\$ 1,677,329
Total operating revenues	1,670,928	1,677,329
<u>Operating expenses:</u>		
Loss and loss adjustment expenses, net	430,246	282,173
Insurance premiums:		
Public Entity Risk Consortium	1,148,260	1,151,620
Other	68,676	73,710
Professional fees	11,793	11,647
Miscellaneous expenses	2,604	2,323
Total operating expenses	1,661,579	1,521,473
Operating income	9,349	155,856
<u>Non-operating revenues (expense):</u>		
Investment income	23,049	1,287
Dividend from PERC	148,447	134,924
PERC dividend distributed to members	(134,924)	(117,188)
Total non-operating revenues (expense)	36,572	19,023
Change in net position	45,921	174,879
Net position, December 1	1,060,873	885,994
Net position, November 30	\$ 1,106,794	\$ 1,060,873

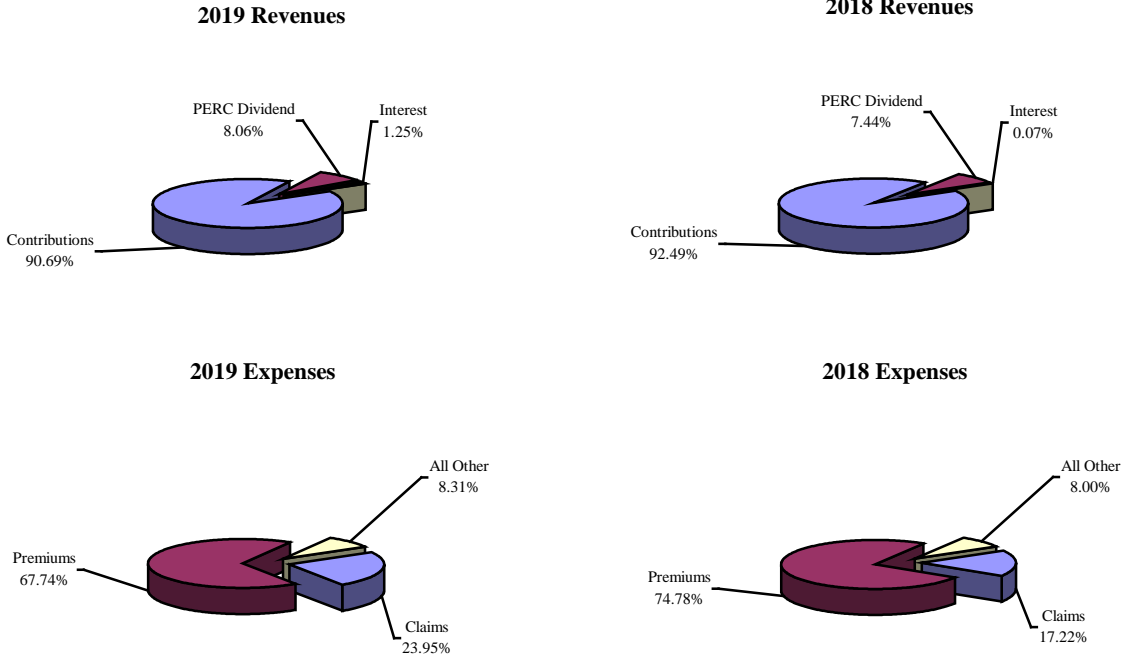
Member contribution revenue remained comparable to the fiscal year 2018. The Agency's two largest areas of expenses are (1) loss and loss adjustment expenses, net and (2) insurance premiums to PERC. These expenses represent 25.89% and 69.11%, respectively, of total operating expenses for fiscal year 2019. Fluctuations in these expenses will result from claims activity and insurance costs established by PERC. Interest revenues increased due to interest received on the Agency's investments in STAR Ohio. Overall, net position at November 30, 2019 increased by \$45,921 from the prior year as member premiums were sufficient to support claims and administrative expenses during the fiscal year.

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MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

The chart below reflects the percentage of the revenues and expenses in fiscal years 2019 and 2018:



Capital Assets and Debt Administration

At November 30, 2019, the Agency had no capital assets or outstanding debt obligations.

Current Financial Related Activities

The Agency is committed to providing the advantages of obtaining insurances and to providing a formalized, jointly administered self-insurance pool its members. The Agency also provides risk management services, loss prevention programs and other educational materials to its members. The Agency is committed to protecting the financial interests of its members and will continue to monitor claims activity and insurance costs to best meet the needs of its members.

Contacting the Agency’s Financial Management

This financial report is designed to provide interested users and our membership with a general overview of the Agency’s finances and to show the Agency’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Don Regula, Treasurer, Auglaize County Commissioner’s Office, 209 S. Blackhoof Street, Room 201, Wapakoneta, Ohio 45895 or by calling (419) 739-6710.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

STATEMENT OF NET POSITION
NOVEMBER 30, 2019

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,468,850
Receivables:	
Due from Public Entity Risk Consortium.	<u>148,447</u>
Total assets	<u>1,617,297</u>
Liabilities:	
Current liabilities:	
Loss and loss adjustment expense reserves (see Note 6).	<u>510,503</u>
Total liabilities	<u>510,503</u>
Net position:	
Unrestricted.	<u>\$ 1,106,794</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

Operating revenues:	
Member contributions	\$ 1,670,928
Operating expenses:	
Loss and loss adjustment expenses, net (see Note 7)	430,246
Insurance premiums:	
Public Entity Risk Consortium	1,148,260
Other	68,676
Professional fees.	11,793
Miscellaneous expenses	2,604
	1,661,579
Total operating expenses.	1,661,579
Operating income.	9,349
Non-operating revenues (expense):	
Investment income	23,049
Dividend from Public Entity Risk Consortium.	148,447
Public Entity Risk Consortium dividend distributed to members	(134,924)
	36,572
Total non-operating revenues (expense)	36,572
Change in net position.	45,921
Net position, December 1	1,060,873
Net position, November 30	\$ 1,106,794

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

Cash flows from operating activities:	
Cash received from member contributions	\$ 1,670,928
Cash payments for covered losses	(526,869)
Cash payments for Public Entity Risk Consortium premiums	(1,148,260)
Cash payments for other premiums	(68,676)
Cash payments for professional services	(11,793)
Cash payments for miscellaneous expenses	(2,604)
	(87,274)
 Cash flows from noncapital financing activities:	
Dividend received from Public Entity Risk Consortium	134,924
Public Entity Risk Consortium dividend distributed to members	(134,924)
	-
 Cash flows from investing activities:	
Redemption of investments	183,033
Interest received	22,661
	205,694
 Net increase in cash and cash equivalents	 118,420
Cash and cash equivalents, December 1	1,350,430
Cash and cash equivalents, November 30	\$ 1,468,850
	(87,274)
 Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 9,349
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
(Decrease) in loss and loss adjustment expense reserves	(96,623)
	(87,274)
Net cash used in operating activities	\$ (87,274)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio (the “Agency”) is a legally separate entity organized under Ohio Revised Code (ORC) 1702.01. The Agency was formed pursuant to Chapter 2744.081 of the ORC for the public purpose of enabling the subscribing political subdivisions to obtain insurance and to provide a formalized, jointly administered self-insurance pool for its members. The Agency provides a cooperative program for the provisions and administration of a self-insurance pool to provide coverage for automobile liability, general liability, crime and property, automobile physical damage and public official’s liability in accordance with the Agency’s amended and restated agreement. In addition to the self-insurance pool, the Agency provides risk management services, loss prevention programs and other educational materials. The members of the Agency include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby and Van Wert.

The Assembly is the legislative body (the “Board of Trustees”) of the Agency consisting of each member’s board of county commissioners. Officers of the Assembly are elected from the Board of Trustees for a one eleven-month term. The Board of Trustees acts as the managerial body of the Agency.

Member premiums are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Agency and to create adequate reserves for claims and allocated loss adjustment expenses.

Under the terms of membership, should annual member premiums not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Agency and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

For claims, the Agency pays the first \$100,000 of loss per occurrence (the “Self-insured retention”). Amounts over the Agency deductible and the self-insured retention amount of \$100,000, are payable by a commercial insurance policy subject to scheduled limits at each location per a statement of values on file with the company.

Effective December 1, 2005, the Agency joined a Public Entity Risk Consortium (PERC) (excess pool) which consists of seven (7) pool risk groups including the Agency. Under this program, the Agency continues as is, including the \$100,000 self-insurance retention. However, the super pool self-insures amounts in excess of its members’ individual self-insured retention as follows:

Property	\$150,000 per occurrence
Liability	\$400,000 per occurrence
Stop Loss	\$1,575,000 maximum per year

The Agency uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurance, although it does not discharge the primary liability of the agency as direct insurer of the risks reinsured. The Agency is contingently liable with respect to certain loss coverage, which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

Members may withdraw from the Agency or from any particular benefits program with at least 12 months notice. There were no members that withdrew from the Agency during the period from December 1, 2018 through November 30, 2019.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)

All administrative costs and expenses incurred for the maintenance of the Agency are paid through the pool account balances through November 30, 2019.

Management believes this financial statement presents all activities for which the Agency is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*" as amended by GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*", and GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Agency are not misleading. On this basis, no governmental organizations or agencies other than the Agency itself are included in the financial reporting entity.

B. Fund Accounting

The Agency maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The Agency uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

C. Basis of Accounting/Measurement Focus

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, the Agency 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.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Agency's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the Agency'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 total net position.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from charges to members for insurance premiums. Operating expenses for the Agency include the payment of loss and loss adjustment expenses, insurance premiums, professional fees and miscellaneous expenses. Non-operating revenues and expenses include investment income, dividend revenue from PERC and PERC dividends distributed to members.

D. Assets, Liabilities, and Net Position

Cash, Cash Equivalents and Investments:

The Agency maintains demand deposit accounts and investments in STAR Ohio.

During fiscal year 2019, the Agency invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Agency measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of cash flows and for reporting on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Agency are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

An analysis of the Agency's cash and investments at fiscal year-end is provided in Note 4.

Receivables:

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables in excess of 90 days are evaluated for the ability to collect them and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The Agency's only receivable is a dividend declared by PERC related the fiscal year 2019 that was received by the Agency in fiscal year 2020.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Loss and loss adjustment expense reserves:

Provisions for loss reserves and loss adjustment expense reserves are based on information reported by members and are calculated by an actuary. These amounts represent an estimate of reported unpaid claims plus a provision for claims incurred but not reported. Adjustments to this reserve account are charged or credited to expense in the period in which they are made. The Agency's management believes that the estimate of the liability for loss reserves is reasonable; however, actual incurred loss and loss adjustment expense may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and the related loss adjustment expense may vary from the estimated amounts included in the accompanying financial statements. Should the provision for loss reserves be insufficient, supplemental contributions will be assessed to the Agency members. See Note 6 for more information of the Agency's loss and loss adjustment expense reserves.

Net position:

Net position is the excess of revenues over expenses during the period in which the Agency has been in existence. If adequate provision has been made for the payment of all claims and expenses of the Agency, the Board of Trustees, at its discretion, may distribute surplus funds to members during that particular year, provided that such members are also members in the year in which the distribution is made. In lieu of distributing surplus funds to the members, the Board may carry forward the surplus to offset annual or supplemental payments in the subsequent fiscal year.

In the event the Agency is terminated, all members of the Agency are obligated for any necessary supplemental payments applicable to the years during which they were members. After all claims and related expenses have been paid or reserves established for the payment of any such claims, any surplus funds will be distributed to members, past or present, who constituted the Agency for that fiscal year.

E. Budgetary Process

Under Ohio law, the Agency is not required to follow a budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

F. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the Agency has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Agency.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Agency.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Agency.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Agency.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At November 30, 2019, the carrying amount and bank balance of all Agency deposits was \$547,931. Of the bank balance, \$265,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$282,931 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the Agency will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Agency has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Agency and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Agency's deposits were collateralized at 102% through its financial institution's participation in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Agency to a successful claim by the FDIC.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of November 30, 2019, the Agency had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized cost:</i>		
STAR Ohio	<u>\$ 920,919</u>	<u>\$ 920,919</u>

The weighted average maturity of investments is 1 day.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Agency's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Agency has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The Agency places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Agency at November 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Amortized cost:</i>		
STAR Ohio	<u>\$ 920,919</u>	<u>100.00</u>

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investment to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of November 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 547,931
Investments	<u>920,919</u>
Total	<u>\$ 1,468,850</u>
 <u>Cash and investments on Statement of Net Position</u>	
Cash and cash equivalents	<u>\$ 1,468,850</u>

NOTE 5 - RISK MANAGEMENT

The Agency contracted with a third-party administrator, Arthur J. Gallagher Risk Management Services, Inc. to provide management services and Gallagher Bassett Services, Inc. to process claims incurred by its members. The members contribute monthly premiums into the self-insurance risk pool fund of the Agency. The Treasurer approves payments to the third-party administrator for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Agency members. Besides the standard monthly contributions, the Agency may extend an assessment to each member.

Member counties that withdraw or are expelled from the Agency are responsible for any supplementary payments in the same proportion as was their Annual Payment for that year to the Annual Payments of all Members that year for the entire life of the Agency and any later period when claims or expenses need be paid which are attributable to any year of membership when the event out of which the expense or claim occurred.

MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019

NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Agency reports a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and related loss adjustment expenses. The claims liability as required by GASB Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*", as amended by GASB Statement No. 30, "*Risk Financing Omnibus*", was provided by the Agency's independent actuary, Financial Risk Analysts, LLC. The changes in the aggregate liabilities for the Agency for the fiscal year ended November 30, 2019 and November 30, 2018 is presented below.

	2019	2018
Unpaid loss and loss adjustment expense reserves, beginning	\$ 607,126	\$ 494,347
<u>Loss and loss adjustment expenses, net:</u>		
Incurred loss and loss adjustment expenses, provision for insured events of the current period	439,121	354,476
(Decrease) in provision for insured events of the prior years	(8,875)	(72,303)
Total loss and loss adjustment expenses, net	430,246	282,173
<u>Payments for covered losses:</u>		
Loss and loss adjustment expenses attributable to insured events of the current year	197,153	79,627
Loss and loss adjustment expenses paid attributable to insured events of prior years	329,716	89,767
Total payments for covered losses	526,869	169,394
Unpaid loss and loss adjustment expense reserves, ending	\$ 510,503	\$ 607,126

NOTE 7 - LOSS AND LOSS ADJUSTMENT EXPENSES, NET

For fiscal year 2019, the Agency reported loss and loss adjustment expenses, net of \$430,246. The Agency's independent actuary for fiscal year 2019 was Financial Risk Analysts, LLC.

The \$96,623 decrease in the loss and loss adjustment expense reserves from November 30, 2018 to November 30, 2019 is reflected in the fiscal year 2019 loss and loss adjustment expenses, net as reported on the Statement of Revenues, Expenses and Changes in Net Position. For fiscal year 2019, actual claims payments for covered losses were \$526,869 as reported on the Statement of Cash Flows.

NOTE 8 - CONTINGENCIES

In the normal course of business, the Agency is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

NOTE 9 - SUBSEQUENT EVENT

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Agency. The Agency's investment portfolio has incurred a significant decline in value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

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MIDWEST POOL RISK MANAGEMENT AGENCY, INC.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Agency's premium revenue and investment income compares to related costs of loss and other expenses assumed by the Agency as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Agency including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Agency's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the fiscal years ended November 30, 2010 through 2019 is provided on the next page.

MIDWEST POOL RISK MANAGEMENT, INC.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1. Premiums and investment income	\$ 1,394,602	\$ 1,617,254	\$ 1,189,225	\$ 1,478,316	\$ 1,482,696
2. Unallocated expenses	1,055,524	1,062,882	1,069,735	1,165,088	1,179,494
3. Estimated losses incurred and expense, end of year	392,916	294,362	409,426	576,041	395,653
4. Paid, cumulative as of:					
End of accident year	88,921	139,406	144,511	269,323	146,302
One year later	275,346	232,707	186,080	322,713	231,565
Two years later	328,566	375,034	317,227	443,585	353,703
Three years later	338,805	402,777	338,929	477,256	353,330
Four years later	338,805	402,569	338,929	495,939	353,330
Five years later	338,805	412,569	338,930	498,629	353,330
Six years later	338,805	412,570	338,930	498,629	-
Seven years later	338,805	412,570	338,930	-	-
Eight years later	338,805	412,570	-	-	-
Nine years later	338,805	-	-	-	-
5. Re-estimated incurred losses and expense:					
End of accident year	392,916	294,362	409,426	576,041	395,653
One year later	335,948	382,929	376,344	562,261	422,137
Two years later	446,968	407,686	389,300	507,816	383,981
Three years later	338,805	412,756	339,269	524,775	365,040
Four years later	338,805	412,569	338,930	525,761	353,330
Five years later	338,805	412,569	338,930	511,907	353,330
Six years later	338,805	412,570	338,930	498,629	-
Seven years later	338,805	412,570	338,930	-	-
Eight years later	338,805	412,570	-	-	-
Nine years later	338,805	-	-	-	-
6. Increase (decrease) in estimated incurred losses and expenses from end of accident year	(54,111)	118,208	(70,496)	(77,412)	(42,323)

2015	2016	2017	2018	2019
\$ 1,526,298	\$ 1,770,610	\$ 1,805,112	\$ 1,813,540	\$ 1,842,424
1,225,963	1,222,412	1,249,226	1,239,300	1,231,333
302,086	455,634	556,901	354,476	439,121
63,794	160,979	227,342	79,627	197,153
96,426	236,313	365,683	257,204	-
96,426	183,069	390,758	-	-
98,406	266,338	-	-	-
142,201	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
302,086	455,634	556,901	354,476	439,121
182,489	326,595	497,734	388,594	-
129,401	260,923	420,752	-	-
207,501	318,765	-	-	-
196,926	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(105,160)	(136,869)	(136,149)	34,118	-

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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

Midwest Pool Risk Management Agency, Inc.
Van Wert County
209 South Blackhoff
Wapakoneta, Ohio 45895

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2019, and the related notes to the financial statements, which collectively comprise the Midwest Pool Risk Management Agency, Inc.'s basic financial statements and have issued our report thereon dated May 27, 2020. Furthermore, as discussed in Note 9 to the financial statements for the fiscal year ended November 30, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Midwest Pool Risk Management Agency, Inc.'s financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Midwest Pool Risk Management Agency's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Midwest Pool Risk Management Agency, Inc.
Van Wert County
Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results and does not opine on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Midwest Pool Risk Management Agency, Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.
May 27, 2020

OHIO AUDITOR OF STATE KEITH FABER



MIDWEST POOL RISK MANAGEMENT AGENCY

VAN WERT 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 30, 2020**