

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

**FINANCIAL STATEMENT  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2011***

**GARY ADAMS, TREASURER**





# Dave Yost • Auditor of State

Board of Trustees  
Midwest Pool Risk Management Agency, Inc.  
114 E. Main Street, Suite 200  
Van Wert, Ohio 45891

We have reviewed the *Independent Accountants' Report* of the Midwest Pool Risk Management Agency, Inc., Van Wert County, prepared by Julian & Grube, Inc., for the audit period December 1, 2010 through November 30, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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, Inc. is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 6, 2012

**This page intentionally left blank.**

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

**FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011**

**TABLE OF CONTENTS**

Independent Accountants' Report.....	1 - 2
Financial Statement:	
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash and Investments Balance .....	3
Notes to the Financial Statement.....	4 - 7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	8 - 9

**This page intentionally left blank.**



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

Midwest Pool Risk Management Agency, Inc.  
114 E. Main Street, Suite 200  
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited the accompanying financial statement of the Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2011. This financial statement is the responsibility of the Midwest Pool Risk Management Agency, Inc.'s management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Midwest Pool Risk Management Agency, Inc. has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statement presents, GAAP require presenting entity wide statements and also presenting the Midwest Pool Risk Management Agency, Inc. larger (i.e. major) funds separately. While the Midwest Pool Risk Management Agency, Inc. does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Midwest Pool Risk Management Agency, Inc. to reformat their statement. The Midwest Pool Risk Management Agency, Inc. has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Independent Accountants' Report  
Midwest Pool Risk Management Agency, Inc.  
Page Two

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the fiscal year ended November 30, 2011 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Midwest Pool Risk Management Agency, Inc. for the fiscal year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and investments fund balance of the Midwest Pool Risk Management Agency, Inc., Van Wert County, as of November 30, 2011, and its combined cash receipts and disbursements for the fiscal year then ended on the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, 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 other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
January 31, 2012



**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN FUND CASH AND INVESTMENTS BALANCE**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011**

	2011
<b>Receipts:</b>	
Receipts from members	\$ 1,613,223
Refund from Public Entity Risk Consortium	87,487
Receipts from claim recoveries - Re-insurance proceeds	58,775
Investment income	4,031
Total receipts	1,763,516
<b>Disbursements:</b>	
Payments to third-party administrator:	
Claims payments	286,439
Insurance premiums:	
Public Entity Risk Consortium	981,205
Other	71,216
Professional fees	9,012
Miscellaneous other costs	1,449
Total disbursements	1,349,321
Excess of receipts over disbursements	414,195
<b>Beginning fund cash and investments balance</b>	<b>881,007</b>
<b>Ending fund cash and investments balance</b>	<b>\$ 1,295,202</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Midwest Pool Risk Management Agency, Inc., Van Wert County, Ohio (the “Agency”) is a joint self-insurance program Agency established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Agency is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”. It was formed to carry out 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 Association 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) (super pool) which consist 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 \$1,650,000 maximum per year

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011**

**NOTE 1 - DESCRIPTION OF THE ENTITY - (Continued)**

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, 2010 through November 30, 2011.

All administrative costs and expenses incurred for the maintenance of the Agency are paid through the benefit pool account balances through November 30, 2011.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF ACCOUNTING AND PRESENTATION**

The Agency's financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**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 receipts and disbursements. The Agency maintains a general fund to account for its expendable financial resources and related current expenses.

**C. BUDGETARY PROCESS**

The Agency is not required to follow the budgetary process and has decided not to adopt a formal budget annually as part of their amended and restated agreements.

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011

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

D. APPROPRIATIONS

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function level of control. Independent insurance consultants annually recommend appropriation measures and they are approved by the Agency annually along with any subsequent amendments.

E. ESTIMATED RESOURCES

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash and investments as of December 1<sup>st</sup>.

F. CASH AND INVESTMENTS

Investments are reported as assets and are carried at cost, which approximates fair value. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses are recorded as receipts or disbursements when a sale occurs.

**NOTE 3 - EQUITY IN CASH AND INVESTMENTS**

The Agency maintains accounts used by all funds. The Agency is not required by law to have an investment policy.

The carrying amount of the Agency's cash and investments at November 30, 2011 was as follows:

	<u>2011</u>
Demand deposits	\$ 912,136
The Citizens National Bank	
Money Market Account	5,270
Certificate of Deposit, 1.14%, due April 9, 2012	173,898
First Bank of Berne	
Money Market Account	100,905
Certificate of Deposit, 1.40%, due March 17, 2012	<u>102,993</u>
Total deposits and investments	<u>\$ 1,295,202</u>

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011**

**NOTE 3 - EQUITY IN CASH AND INVESTMENTS - (Continued)**

*Deposits:* Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**NOTE 4 - ADMINISTRATIVE FEES**

The Agency has contracted with Arthur J. Gallagher & Co. to provide various management, underwriting, claim adjustments and loss control services. The fees, are calculated based on periodic contributions and are deferred and charged to periodic expenses on a straight-line basis over the related service period.

**NOTE 5 - RISK MANAGEMENT**

The Agency contracted with a third-party administrator, Arthur J. Gallagher & Co. to defend and 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 from the Agency are obligated for payment of any negative balance in their account and the remaining claims of any of its eligible members and dependents are the responsibility of each individual member upon withdrawal from the Agency.

**NOTE 6 - EXPECTED LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSE**

The Agency receives an annual actuarial report that estimates an amount for the runoff liability (expected loss and allocated loss adjustment expense) for claims incurred, but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 had been satisfied for the fiscal year ended November 30, 2011. The reported reserve fund available to pay the IBNR claims and the IBNR claim liability per the actuarial report at November 30, 2011 is as follows:

Cash and investments	\$ 1,295,202
IBNR actuarial liability	<u>(496,354)</u>
Excess (deficiency) funds	<u>\$ 798,848</u>

**NOTE 7 - SUBSEQUENT EVENT**

As of December 1, 2011, Gary Adams will be resigning as Treasurer of Midwest Pool Risk Management Agency, Inc. and Don Regula, Auglaize County Commissioner will be his replacement.

**This page intentionally left blank.**



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Midwest Pool Risk Management Agency, Inc.  
114 E. Main Street, Suite 200  
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited the financial statement of the Midwest Pool Risk Management Agency, Inc., Van Wert County, as of and for the fiscal year ended November 30, 2011, and have issued our report thereon dated January 31, 2012, wherein we noted that the Midwest Pool Risk Management Agency, Inc. followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of opining on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Midwest Pool Risk Management Agency, Inc.'s internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Midwest Pool Risk Management Agency, Inc.'s financial statement will not be prevented, or detected and timely corrected.

Board of Trustees  
Midwest Pool Risk Management Agency, Inc.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of reasonably assuring whether the Midwest Pool Risk Management Agency, Inc.'s financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and other matters, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Trustees, and members of the Midwest Pool Risk Management Agency, Inc. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
January 31, 2012





# Dave Yost • Auditor of State

**MIDWEST POOL RISK MANAGEMENT AGENCY, INC.**

**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  
APRIL 19, 2012**