

# **Public Entities Pool of Ohio**

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**Financial Report  
with Required Supplemental Schedules  
December 31, 2012**





# Dave Yost • Auditor of State

Board of Directors  
Public Entities Pool of Ohio  
C/O American Risk Pool Consultants  
29200 Northwestern Highway, Suite 300  
P.O. Box 5088  
Southfield, MI 48084

We have reviewed the *Independent Auditor's Report* of the Public Entities Pool of Ohio, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

June 10, 2013

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# Public Entities Pool of Ohio

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-7
<b>Basic Financial Statements</b>	
Statement of Net position	8
Statement of Revenue, Expenses, and Changes in Net position	9
Statement of Cash Flows	10-11
Notes to Basic Financial Statements	12-20
<b>Required Supplemental Schedules</b>	21
Casualty Claims Development Information	22
Property Claims Development Information	23
Statement of Reconciliation of Unpaid Claims and Claim Adjustment Expense Liability by Type of Contract	24
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic financial Statements Performed in Accordance with Governmental Auditing Standards</b>	25-27

## Independent Auditor's Report

To the Board of Directors  
Public Entities Pool of Ohio

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Public Entities Pool of Ohio (the "Pool") as of and for the years ended December 31, 2012 and 2011 and the related notes to the basic financial statements, which collectively comprise the Pool's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

To the Board of Directors  
Public Entities Pool of Ohio

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool at December 31, 2012 and 2011 and the respective changes in financial position and cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, casualty claims development information, property claims development information, and statement of reconciliation of unpaid claims and claim adjustment expense liability by type of contract, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 May 20, 2013 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

May 20, 2013

# Public Entities Pool of Ohio

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## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Along with the notes to the basic financial statements, they provide detailed financial information concerning Public Entities Pool of Ohio (the "Pool" or "PEP"). The management's discussion and analysis (the "MD&A") provides a review of the Pool's operating results for the years 2010 through 2012, as well as its financial condition at December 31, 2012, 2011, and 2010. The MD&A should be read in conjunction with the basic financial statements and notes thereto.

### Overview

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

Historically, the property and casualty insurance industry has been unable to provide the consistency of pricing and coverages needed by governmental authorities. The national insurance crisis of the late 1980s, in which political subdivisions in the State of Ohio were unable to purchase affordable insurance, led to the formation of local government risk pools. The transition from insurance to pooling has been so successful that there are approximately 500 governmental entity pools currently operating in the United States of America. PEP was formed in 1987 and has grown steadily to 466 members today.

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

The PEP website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library with over 10,000 multimedia risk management tools.

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



# Public Entities Pool of Ohio

## Management's Discussion and Analysis (Continued)

### Administration

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

### Financial Overview and Highlights

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

	2012	2011	2010
<b>Assets</b>			
Cash and cash equivalents	\$ 1,065,168	\$ 693,053	\$ 220,661
Investment securities - At fair value	18,637,833	18,666,023	20,273,157
Member contributions to be billed in the future	12,629,918	12,113,516	12,354,737
Other assets	2,056,650	1,889,812	2,103,455
Total assets	<u>\$ 34,389,569</u>	<u>\$ 33,362,404</u>	<u>\$ 34,952,010</u>
<b>Liabilities</b>			
Claims and claim adjustment expense reserves	\$ 13,108,270	\$ 12,953,747	\$ 12,853,271
Unearned premium reserves	151,254	218,276	234,906
Other liabilities	948,829	1,015,250	1,232,635
Total liabilities	14,208,353	14,187,273	14,320,812
<b>Net Position - Unrestricted</b>	<u>20,181,216</u>	<u>19,175,131</u>	<u>20,631,198</u>
Total liabilities and net position	<u>\$ 34,389,569</u>	<u>\$ 33,362,404</u>	<u>\$ 34,952,010</u>

Approximately 57 percent in 2012, 58 percent in 2011, and 59 percent in 2010 of total assets consist of cash, cash equivalents, and investments. As a result of the Pool's conservative investment objectives and policies, the overall investment return (excluding the net realized and unrealized losses on investments) totaled 2.23 percent during the year ended December 31, 2012. At December 31, 2012, 2011, and 2010, all of the Pool's investments were invested in U.S. government securities or U.S. agency securities.

# Public Entities Pool of Ohio

## Management's Discussion and Analysis (Continued)

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

The Pool's claims and claim adjustment expense reserves totaled \$13,108,270, \$12,953,747, and \$12,853,271 at December 31, 2012, 2011, and 2010, respectively. For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, claim frequency, and other economic and social factors. Because these estimates depend on complex factors, such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claims reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which they are made. During the year ended December 31, 2012, the Pool decreased its provision for claims incurred in prior years by \$1,373,231 as a result of a decrease in claim frequency from the original actuarial estimate and favorable outcomes on certain cases settled or expected to be settled in the near term. Total claims payments decreased by 14 percent, from \$7,038,223 in 2011 to \$6,040,041 in 2012.

Net position at December 31, 2012 increased \$1,006,085 from December 31, 2011 as a result of a decrease in the provision for claims and an increase in member contributions, partially offset by distributions to members.

# Public Entities Pool of Ohio

## Management's Discussion and Analysis (Continued)

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating Revenue</b>			
Member contributions	\$ 14,684,178	\$ 13,449,330	\$ 13,608,828
Reinsurance premiums ceded	(2,872,385)	(2,615,183)	(2,743,729)
Change in contributions that will be billed in the future to pay unpaid claims	<u>516,402</u>	<u>(241,221)</u>	<u>(1,303,978)</u>
Total operating revenue	12,328,195	10,592,926	9,561,121
<b>Operating Expenses</b>			
Provision for claims	6,194,564	7,138,699	4,581,330
General and administrative expenses	<u>4,703,758</u>	<u>4,395,492</u>	<u>4,396,486</u>
Total operating expenses	<u>10,898,322</u>	<u>11,534,191</u>	<u>8,977,816</u>
<b>Operating Income (Loss)</b>	1,429,873	(941,265)	583,305
<b>Nonoperating Revenue (Expenses)</b>			
Investment earnings	329,104	976,253	955,704
Cumulative reserve fund distributions	(748,511)	(1,366,230)	(722,154)
Budgetary distributions	<u>-</u>	<u>-</u>	<u>(1,258,916)</u>
Total nonoperating revenue (expenses)	(419,407)	(389,977)	(1,025,366)
<b>Member Withdrawals - Member capital</b>	<u>(4,381)</u>	<u>(124,825)</u>	<u>(44,777)</u>
<b>Total Increase (Decrease) in Net Position</b>	<u>\$ 1,006,085</u>	<u>\$ (1,456,067)</u>	<u>\$ (486,838)</u>

The Pool's membership increased from 455 members in 2011 to 466 members in 2012. Member contributions increased approximately 9.2 percent, from \$13,449,330 in 2011 to \$14,684,178 in 2012.

# Public Entities Pool of Ohio

## Management's Discussion and Analysis (Continued)

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains risks up to an amount specified in the contracts (at December 31, 2012, the Pool retained \$350,000 for casualty claims and \$100,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Reinsurance expense (ceded) to APEEP and the Pool's excess reinsurers totaled approximately \$2,872,000 and \$2,615,000 for the years ended December 31, 2012 and 2011, respectively. In addition, amounts deducted from claims and claims adjustment expense reserves as of December 31, 2012 and 2011 for expected recoveries under the reinsurance and excess risk-sharing agreements totaled approximately \$2,726,000 and \$2,818,000, respectively.

In accordance with generally accepted accounting standards, all investments maintained by the Pool must be reported at fair market value (marked to market concept). Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net position as unrealized gains or losses on investments. Net realized and unrealized (losses) gains on investments totaled (\$86,076) and \$478,972 for the years ended December 31, 2012 and 2011, respectively.

Total operating expenses of the Pool decreased in 2012 from 2011, totaling \$10,898,322 and \$11,534,191, respectively, or 74.2 percent and 85.8 percent, respectively, of member contributions. The decrease is due primarily to a decrease in claims and claim adjustment expenses.

### Economic Factors and Next Year's Rates

The rates charged by the Pool for member contributions for the next year are not expected to change significantly. All other operating expenses are expected to remain consistent with amounts reported in 2012. The provision for claims payments is expected to be consistent with historical trends and Management is unaware of any new economic events or legislative events that would have a significant impact on the operations of the Pool.

### Contacting the Pool's Management

This financial report is intended to provide PEP members and the Ohio Auditor of the State with a general overview of the accountability for the revenue PEP receives. Additional information regarding the Pool can be found on PEP's website, [www.pepohio.org](http://www.pepohio.org). If you have questions about this report or need additional information, contact John W. Brockschmidt, President, York Risk Pooling Services, Inc. at (248) 204-5142.

# Public Entities Pool of Ohio

## Statement of Net Position

	December 31	
	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,065,168	\$ 693,053
Member contributions receivable	1,910,112	1,682,824
Investment securities (Note 2)	3,428,378	806,528
Accrued investment income	112,279	114,221
Deductible receivable	34,259	56,525
Reinsurance receivable on paid claims (Note 4)	-	36,242
Member contributions to be billed in the future	4,050,000	4,250,000
Total current assets	10,600,196	7,639,393
<b>Noncurrent Assets</b>		
Investment securities (Note 2)	15,209,455	17,859,495
Member contributions to be billed in the future	8,579,918	7,863,516
Total noncurrent assets	23,789,373	25,723,011
Total assets	<u>\$ 34,389,569</u>	<u>\$ 33,362,404</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Current liabilities:		
Claims and claim adjustment expense reserves (Note 3)	\$ 4,528,352	\$ 5,090,231
Reinsurance premiums payable (Note 4)	274,758	157,231
Accounts payable and accrued expenses	674,071	858,019
Total current liabilities	5,477,181	6,105,481
Long-term liabilities:		
Claims and claim adjustment expense reserves (Note 3)	8,579,918	7,863,516
Unearned premium reserves	151,254	218,276
Total long-term liabilities	8,731,172	8,081,792
Total liabilities	14,208,353	14,187,273
<b>Net Position - Unrestricted</b>	20,181,216	19,175,131
Total liabilities and net position	<u>\$ 34,389,569</u>	<u>\$ 33,362,404</u>

# Public Entities Pool of Ohio

## Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2012	2011
<b>Operating Revenue</b>		
Member contributions (Note 7)	\$ 14,684,178	\$ 13,449,330
Reinsurance premiums ceded (Note 4)	(2,872,385)	(2,615,183)
Change in contributions that will be billed in the future to pay unpaid claims	516,402	(241,221)
Total operating revenue	12,328,195	10,592,926
<b>Operating Expenses</b>		
Claims and claim adjustment expenses (Note 3):		
Paid	7,188,843	7,835,238
Recoveries	(1,148,802)	(797,015)
Increase in claims and claim adjustment expense reserves	154,523	100,476
Total claims and claim adjustment expenses	6,194,564	7,138,699
Marketing and administrator fees	4,235,722	3,860,907
Other	468,036	534,585
Total operating expenses	10,898,322	11,534,191
<b>Operating Income (Loss)</b>	1,429,873	(941,265)
<b>Nonoperating Revenue (Expenses)</b>		
Investment earnings - Interest and dividends	415,180	497,281
Net realized and unrealized (losses) gains on investments	(86,076)	478,972
Cumulative reserve fund distributions (Note 6)	(748,511)	(1,366,230)
Total nonoperating expenses	(419,407)	(389,977)
Withdrawals - Member capital (Note 5)	(4,381)	(124,825)
<b>Increase (Decrease) in Net Position</b>	1,006,085	(1,456,067)
<b>Net Position - Beginning of year</b>	19,175,131	20,631,198
<b>Net Position - End of year</b>	<b>\$ 20,181,216</b>	<b>\$ 19,175,131</b>

# Public Entities Pool of Ohio

## Statement of Cash Flows

	Year Ended December 31	
	2012	2011
<b>Cash Flows from Operating Activities</b>		
Cash received from members	\$ 14,389,868	\$ 13,605,614
Cash received from reinsurance recoveries	1,185,044	801,180
Cash paid for claims	(7,166,577)	(7,873,060)
Cash paid for reinsurance premiums	(2,754,858)	(2,648,990)
Cash paid for administrative and general expenses	<u>(4,887,706)</u>	<u>(4,579,070)</u>
Net cash provided by (used in) operating activities	765,771	(694,326)
<b>Cash Flows from Investing Activities</b>		
Investment income received	417,122	571,667
Purchase of investments	(6,353,559)	(9,387,119)
Proceeds from sales and maturities of investments	<u>6,295,673</u>	<u>11,473,225</u>
Net cash provided by investing activities	359,236	2,657,773
<b>Cash Flows from Noncapital Financing Activities</b>		
Payments for member withdrawals - Capitalization	(4,381)	(124,825)
Payments for member Cumulative Reserve Fund distributions	<u>(748,511)</u>	<u>(1,366,230)</u>
Net cash used in noncapital financing activities	<u>(752,892)</u>	<u>(1,491,055)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	372,115	472,392
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>693,053</u>	<u>220,661</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 1,065,168</b></u>	<u><b>\$ 693,053</b></u>

# Public Entities Pool of Ohio

## Statement of Cash Flows (Continued)

A reconciliation of operating (loss) income to net cash from operating activities is as follows:

	<u>2012</u>	<u>2011</u>
Operating income (loss)	\$ 1,429,873	\$ (941,265)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
(Increase) decrease in assets:		
Member contributions receivable	(227,288)	172,914
Deductibles receivable	22,266	(37,822)
Reinsurance receivable on paid claims	36,242	4,165
Member contributions to be billed in the future	(516,402)	241,221
Increase (decrease) in liabilities:		
Unearned premium reserves	(67,022)	(16,630)
Claims and claim adjustment expense reserves	154,523	100,476
Reinsurance premiums payable	117,527	(33,807)
Accounts payable and accrued expenses	<u>(183,948)</u>	<u>(183,578)</u>
Net cash provided by (used in) operating activities	<u>\$ 765,771</u>	<u>\$ (694,326)</u>
<b>Supplemental Disclosure of Cash Flow Information -</b>		
Noncash investing activities - Net realized and unrealized (losses) gains on investments	<u>\$ (86,076)</u>	<u>\$ 478,972</u>



# Public Entities Pool of Ohio

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## Notes to Basic Financial Statements December 31, 2012 and 2011

### Note 1 - Nature of Business and Significant Accounting Policies

The Pool was created in March 1987 and organized under the laws of the State of Ohio as a local government risk pool. The Association of Ohio Health Commissioners and the Ohio Parks and Recreation Association endorse and promote the Pool. A total of 466 political subdivisions within the State of Ohio participate in the Pool. The Pool's primary objective is to formulate, develop, and administer, on behalf of its members, a program of managing property losses and third-party casualty claims, to obtain stable costs for that coverage, and to develop a comprehensive loss control program.

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

The Pool has engaged York to serve as the administrator of the Pool. York specializes in public entity risk pool management and provides a full spectrum of administrative services. As provided for in its administrative agreement, York contracts specific services to subcontractors. Marketing and member services are provided by Burnham and Flower Agency of Ohio, Inc. and Wells Fargo Insurance Services of Ohio. Claim and loss control services are provided by York's wholly owned subsidiary, Public Entity Risk Services of Ohio. These organizations are reimbursed for their services pursuant to the terms of their respective agreements with York.

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

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

# Public Entities Pool of Ohio

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## Notes to Basic Financial Statements December 31, 2012 and 2011

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

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

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

**Member Contributions to be Billed in the Future** - Member contributions to be billed in the future represent an estimate of amounts due from members which have not been billed to members and will be billed and collected in the future, when the estimated incurred claims, claim adjustment expenses, and related administrative expenses for each certificate year are anticipated to be paid.

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

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

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

# Public Entities Pool of Ohio

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## Notes to Basic Financial Statements December 31, 2012 and 2011

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

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

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

**Reclassifications** - Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications had no impact on the change in net position.

**Accounting and Reporting Change** - During the year, the Pool adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the term "net assets" is now referred to as "net position." In addition, the pronouncement created the categories of deferred inflows of resources and deferred outflows of resources; however, the Pool has no items that meet those definitions.

### Note 2 - Deposits and Investments

The Pool designated Fifth Third Bank and Star Ohio for the deposit of its funds and handling the investments for the Pool.

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

# Public Entities Pool of Ohio

## Notes to Basic Financial Statements December 31, 2012 and 2011

### Note 2 - Deposits and Investments (Continued)

At December 31, 2012, deposits and investments are reported in the financial statements as follows:

	2012	
	Cash and Cash Equivalents	Investment Securities
Deposits:		
Cash	\$ 400,424	\$ -
Money markets	<u>664,744</u>	<u>-</u>
Total deposits	1,065,168	-
Investments:		
U.S. Treasury securities	\$ -	\$ 15,474,065
U.S. agencies and pass-throughs	<u>-</u>	<u>3,163,768</u>
Total	<u>\$ 1,065,168</u>	<u>\$ 18,637,833</u>

At December 31, 2011, deposits and investments are reported in the financial statements as follows:

	2011	
	Cash and Cash Equivalents	Investment Securities
Deposits:		
Cash	\$ 91,113	\$ -
Money markets	<u>601,940</u>	<u>-</u>
Total deposits	693,053	-
Investments:		
U.S. Treasury securities	\$ -	\$ 16,015,752
U.S. agencies and pass-throughs	<u>-</u>	<u>2,650,271</u>
Total	<u>\$ 693,053</u>	<u>\$ 18,666,023</u>

# Public Entities Pool of Ohio

## Notes to Basic Financial Statements December 31, 2012 and 2011

### Note 2 - Deposits and Investments (Continued)

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Effective December 31, 2010 through December 31, 2012, the FDIC implemented the "Dodd-Frank Act" that altered the FDIC coverage to fully guarantee all noninterest-bearing transaction accounts, but restricted the guarantee to a maximum of \$250,000 on accounts bearing nominal interest rates. Effective January 1, 2013, the FDIC will no longer fully guarantee noninterest-bearing accounts, but will restrict the guarantee to a maximum of \$250,000 on all deposits. The board of directors has adopted, and reviews annually, a banking policy to ensure risk of loss of the Pool's deposits is negligible.

The Pool maintains balances in its accounts to adequately cover current operating and claim payment expenses. At December 31, 2012 and 2011, the Pool had no bank deposits that were uninsured or uncollateralized.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Pool's investment policy restricts the maximum maturity for any one issue to no more than 10 years. The Pool's policy also minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity, in accordance with the Pool's cash requirements.

At December 31, 2012, the average maturities of investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 15,474,065	3.66
U.S. agencies and pass-throughs	3,163,768	2.81
Total fair value	<u>\$ 18,637,833</u>	
Portfolio weighted average maturity		<u>3.52</u>

# Public Entities Pool of Ohio

## Notes to Basic Financial Statements December 31, 2012 and 2011

### Note 2 - Deposits and Investments (Continued)

At December 31, 2011, the average maturities of investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 16,015,752	4.19
U.S. agencies and pass-throughs	2,650,271	2.76
Total fair value	\$ 18,666,023	
Portfolio weighted average maturity		3.98

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligations. In accordance with the Pool's investment policy, the Pool may invest in U.S. government securities and U.S. Treasury obligation funds.

At December 31, 2012 and 2011, the credit quality ratings of debt securities by investment type (other than U.S. Treasury securities) are as follows:

Rating	Fair Value	
	2012	2011
U.S. agencies and pass-throughs - Aaa	\$ 3,163,768	\$ 2,650,271

**Concentration of Credit Risk** - The Pool places no limit on the amount it may invest in any one issuer. At December 31, 2012, the Pool had investments of \$2,116,971 in Freddie Mac; these investments represent 11.4 percent of the Pool's total investments. At December 31, 2011, the Pool had investments of \$2,174,675 in Freddie Mac; these investments represented 11.7 percent of the Pool's total investments.

# Public Entities Pool of Ohio

## Notes to Basic Financial Statements December 31, 2012 and 2011

### Note 3 - Claims and Claim Adjustment Expense Reserves

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

The following summarizes changes in claims and claim adjustment expense reserves for the years ended December 31, 2012, 2011, and 2010:

	2012	2011	2010
<b>Claims and Claim Adjustment Expense Reserves - Beginning of year</b>	\$ 12,953,747	\$ 12,853,271	\$ 14,068,740
<b>Incurred Claims and Claim Adjustment Expenses</b>			
Provision for claims incurred in current year	7,567,795	7,674,914	6,717,017
Decrease in provision for claims incurred in prior years	<u>(1,373,231)</u>	<u>(536,215)</u>	<u>(2,135,687)</u>
Total incurred claims and claim adjustment expenses	6,194,564	7,138,699	4,581,330
<b>Payments</b>			
Claims and claim adjustment expenses paid for claims incurred in current year	(2,428,538)	(2,670,152)	(2,220,851)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(3,611,503)</u>	<u>(4,368,071)</u>	<u>(3,575,948)</u>
Total payments	<u>(6,040,041)</u>	<u>(7,038,223)</u>	<u>(5,796,799)</u>
<b>Claims and Claim Adjustment Expense Reserves - End of year</b>	<u>\$ 13,108,270</u>	<u>\$ 12,953,747</u>	<u>\$ 12,853,271</u>

# Public Entities Pool of Ohio

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## Notes to Basic Financial Statements December 31, 2012 and 2011

### **Note 3 - Claims and Claim Adjustment Expense Reserves (Continued)**

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

### **Note 4 - Reinsurance and Excess Risk-sharing Agreements**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large specific and aggregate losses. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements. Premiums ceded to reinsurance carriers and the risk-sharing pool during the years ended December 31, 2012 and 2011 totaled \$2,872,385 and \$2,615,183, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2012 and 2011 for reinsurance and excess risk-sharing agreements totaled approximately \$2,726,000 and \$2,818,000, respectively.

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

### **Note 5 - Member Withdrawals - Capitalization**

In 2012, four members withdrew from the Pool while 10 members withdrew in 2011. In accordance with the intergovernmental contract, these withdrawals resulted in refunds to withdrawn members of \$4,381 in 2012 and \$124,825 in 2011. Upon withdrawal, these members became responsible for all of their respective reported and unreported casualty claims and claim adjustment expenses.

### **Note 6 - Member Distributions**

Beginning on July 1, 2010, the Pool changed the funding and maintenance levels for member's Cumulative Reserve Funds (CRF) from 300 percent to 200 percent of its total current basis rate. Members will continue to follow a six-year cycle before fully vesting in their CRF. In the year after a member becomes fully vested, the Pool makes distributions to the member to reduce the member's CRF to 200 percent (if its basis rate exceeds 200 percent). These distributions will occur over one or two years, depending on the size of the refund. For members joining the Pool on July 1, 2010 or later, members will only fund their CRF to 200 percent; therefore, no distribution will be necessary after a member is fully vested. During 2012 and 2011, CRF distributions totaled \$748,511 and \$1,366,230, respectively.



# Public Entities Pool of Ohio

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## Notes to Basic Financial Statements December 31, 2012 and 2011

### Note 7 - Member Contributions

The following summarizes the components of member contributions for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Member contributions - Operating	\$ 14,179,673	\$ 13,180,906
Member contributions - Cumulative reserve fund	437,483	251,794
Change in unearned premium reserves	<u>67,022</u>	<u>16,630</u>
Total member contributions	<u>\$ 14,684,178</u>	<u>\$ 13,449,330</u>

## **Required Supplemental Schedules**

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# Public Entities Pool of Ohio

## Casualty Claims Development Information

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required contributions and investment income:										
Earned	\$ 6,493,430	\$ 7,399,842	\$ 7,797,811	\$ 8,210,922	\$ 8,504,660	\$ 8,585,521	\$ 8,223,319	\$ 8,068,139	\$ 7,972,127	\$ 8,388,169
Ceded	991,400	1,162,711	1,194,657	1,242,826	1,551,017	1,334,428	1,333,703	957,296	800,861	789,898
Net	5,502,030	6,237,131	6,603,154	6,968,096	6,953,643	7,251,093	6,889,616	7,110,843	7,171,266	7,598,271
2. Expenses other than allocated claim adjustment expenses	1,717,800	1,969,295	2,019,343	2,190,216	2,142,248	2,200,369	2,168,868	2,133,237	2,268,851	2,334,576
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	4,516,485	5,824,853	6,777,375	6,848,085	8,567,574	4,947,263	5,878,548	5,081,002	5,196,962	5,717,657
Ceded	604,226	825,668	675,873	652,684	2,108,295	493,314	236,163	437,006	474,966	447,216
Net	3,912,259	4,999,185	6,101,502	6,195,401	6,459,279	4,453,949	5,642,385	4,643,996	4,721,996	5,270,441
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	328,102	310,680	337,555	270,765	557,564	787,968	624,011	580,102	554,358	552,408
One year later	838,519	1,452,497	963,477	920,959	1,778,270	1,211,560	1,264,308	1,250,648	1,053,530	-
Two years later	1,852,356	2,921,642	2,326,885	1,978,040	2,757,846	2,234,344	1,742,187	2,333,252	-	-
Three years later	2,233,240	3,867,764	3,304,865	2,522,837	3,692,117	3,920,781	2,444,958	-	-	-
Four years later	2,968,764	4,113,395	3,794,704	2,825,984	4,277,525	4,214,817	-	-	-	-
Five years later	3,082,739	4,276,138	4,129,775	3,318,976	4,346,264	-	-	-	-	-
Six years later	3,100,931	4,292,165	4,169,073	3,466,442	-	-	-	-	-	-
Seven years later	3,101,728	4,328,864	4,377,933	-	-	-	-	-	-	-
Eight years later	3,101,743	4,332,048	-	-	-	-	-	-	-	-
Nine years later	3,101,743	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	999,770	534,241	1,281,654	340,758	1,801,073	626,916	6,699	66,381	1,139,220	447,216
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	3,912,259	4,999,185	6,101,502	6,195,401	6,459,279	4,453,949	5,642,385	4,643,996	4,721,996	5,270,441
One year later	3,972,338	6,029,618	4,514,686	5,290,411	5,362,506	4,733,399	4,521,978	4,533,908	4,203,808	-
Two years later	3,883,249	5,400,328	4,587,149	4,691,782	5,152,036	4,611,126	3,616,875	3,904,773	-	-
Three years later	3,527,152	4,735,937	4,762,416	4,021,761	4,811,063	5,062,790	3,383,320	-	-	-
Four years later	3,456,843	4,537,663	4,681,256	3,693,022	4,651,758	5,237,054	-	-	-	-
Five years later	3,411,803	4,376,325	4,639,181	3,611,714	4,569,051	-	-	-	-	-
Six years later	3,116,247	4,364,221	4,806,675	3,971,237	-	-	-	-	-	-
Seven years later	3,101,728	4,350,014	4,815,527	-	-	-	-	-	-	-
Eight years later	3,101,743	4,332,048	-	-	-	-	-	-	-	-
Nine years later	3,101,743	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (810,516)</u>	<u>\$ (667,137)</u>	<u>\$ (1,285,975)</u>	<u>\$ (2,224,164)</u>	<u>\$ (1,890,228)</u>	<u>\$ 783,105</u>	<u>\$ (2,259,065)</u>	<u>\$ (739,223)</u>	<u>\$ (518,188)</u>	<u>\$ -</u>

# Public Entities Pool of Ohio

## Property Claims Development Information

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required contributions and investment income:										
Earned	\$ 4,410,514	\$ 5,133,077	\$ 5,753,147	\$ 6,070,873	\$ 6,270,981	\$ 6,380,983	\$ 6,094,467	\$ 6,270,466	\$ 6,257,762	\$ 6,910,992
Ceded	<u>1,225,433</u>	<u>1,311,333</u>	<u>1,556,586</u>	<u>1,732,185</u>	<u>1,778,608</u>	<u>1,684,793</u>	<u>1,660,953</u>	<u>1,840,356</u>	<u>1,788,590</u>	<u>2,056,470</u>
Net	3,185,081	3,821,744	4,196,561	4,338,688	4,492,373	4,696,190	4,433,514	4,430,110	4,469,172	4,854,522
2. Expenses other than allocated claim adjustment expenses	1,523,590	1,753,670	1,939,413	2,044,839	2,101,034	2,111,180	2,074,129	2,121,004	2,126,641	2,369,179
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	1,362,775	1,470,644	1,994,163	1,436,969	2,235,674	3,620,911	1,370,215	2,073,021	3,134,553	2,297,354
Ceded	<u>48,840</u>	<u>41,685</u>	<u>35,861</u>	<u>135,684</u>	<u>63,212</u>	<u>507,690</u>	-	-	<u>162,457</u>	-
Net	1,313,935	1,428,959	1,958,302	1,301,285	2,172,462	3,113,221	1,370,215	2,073,021	2,972,096	2,297,354
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	858,954	1,007,189	1,047,241	977,307	1,523,208	2,413,197	1,042,263	1,640,749	2,162,237	1,876,130
One year later	1,184,878	1,499,429	1,619,456	1,323,384	1,609,225	2,682,762	1,327,989	1,945,496	2,736,818	-
Two years later	1,237,688	1,457,655	1,603,532	1,365,074	1,618,131	2,699,177	1,338,607	1,938,011	-	-
Three years later	1,239,072	1,456,567	1,616,540	1,363,341	1,618,283	2,699,152	1,342,717	-	-	-
Four years later	1,239,270	1,456,567	1,617,167	1,363,555	1,619,635	2,699,076	-	-	-	-
Five years later	1,239,270	1,456,567	1,617,167	1,373,951	1,633,669	-	-	-	-	-
Six years later	1,239,270	1,456,567	1,621,467	1,373,960	-	-	-	-	-	-
Seven years later	1,239,270	1,474,402	1,623,213	-	-	-	-	-	-	-
Eight years later	1,239,270	1,474,402	-	-	-	-	-	-	-	-
Nine years later	1,239,270	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	128,901	216,976	728,080	322,704	108,129	548,799	-	-	266,997	-
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	1,313,935	1,428,959	1,958,302	1,301,285	2,172,462	3,113,221	1,370,215	2,073,021	2,972,096	2,297,354
One year later	1,243,278	1,607,797	2,326,263	1,574,819	1,727,990	2,739,948	1,394,248	1,950,689	2,772,519	-
Two years later	1,249,179	1,515,729	2,137,103	1,312,837	1,642,576	2,699,353	1,354,335	1,944,184	-	-
Three years later	1,239,072	1,502,292	1,612,415	1,363,781	1,618,841	2,699,152	1,358,338	-	-	-
Four years later	1,239,270	1,483,134	1,617,167	1,363,671	1,631,893	2,699,076	-	-	-	-
Five years later	1,239,270	1,456,567	1,617,587	1,373,951	1,637,302	-	-	-	-	-
Six years later	1,239,270	1,456,679	1,617,467	1,373,960	-	-	-	-	-	-
Seven years later	1,239,270	1,474,402	1,619,213	-	-	-	-	-	-	-
Eight years later	1,239,270	1,474,402	-	-	-	-	-	-	-	-
Nine years later	1,239,270	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (74,665)</u>	<u>\$ 45,443</u>	<u>\$ (339,089)</u>	<u>\$ 72,675</u>	<u>\$ (535,160)</u>	<u>\$ (414,145)</u>	<u>\$ (11,877)</u>	<u>\$ (128,837)</u>	<u>\$ (199,577)</u>	<u>\$ -</u>

## Public Entities Pool of Ohio

### Statement of Reconciliation of Unpaid Claims and Claim Adjustment Expense Liability by Type of Contract

	Fiscal and Policy Years Ended December 31					
	2012			2011		
	Liability	Property	Total	Liability	Property	Total
Unpaid claims and claim adjustment expenses liability - Beginning of year	\$ 12,113,516	\$ 840,231	\$ 12,953,747	\$ 12,354,737	\$ 498,534	\$ 12,853,271
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current fiscal year	5,270,441	2,297,354	7,567,795	4,675,553	2,999,361	7,674,914
Change in provision for insured events of prior fiscal years	(1,178,239)	(194,992)	(1,373,231)	(414,704)	(121,511)	(536,215)
Total incurred claims and claim adjustment expense	4,092,202	2,102,362	6,194,564	4,260,849	2,877,850	7,138,699
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	552,408	1,876,130	2,428,538	507,915	2,162,237	2,670,152
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,023,392	588,111	3,611,503	3,994,155	373,916	4,368,071
Total payments	3,575,800	2,464,241	6,040,041	4,502,070	2,536,153	7,038,223
Unpaid claims and claim adjustment expenses - End of year	<u>\$ 12,629,918</u>	<u>\$ 478,352</u>	<u>\$ 13,108,270</u>	<u>\$ 12,113,516</u>	<u>\$ 840,231</u>	<u>\$ 12,953,747</u>

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

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

To the Board of Directors  
Public Entities Pool of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Public Entities Pool of Ohio (the "Pool") as of and for the year ended December 31, 2012 and related notes to the basic financial statements and have issued our report thereon dated May 20, 2013.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's basic financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Public Entities Pool of Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pool's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

May 20, 2013





# Dave Yost • Auditor of State

**PUBLIC ENTITIES POOL OF OHIO**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 20, 2013**