



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016**

OREGON PUBLIC ENTITY EXCESS POOL
BOARD OF DIRECTORS AND ADMINISTRATOR
AS OF JUNE 30, 2017

Directors

Dwayne Kroening, Board President Clackamas County 2051 Kaen Road Oregon City, OR 97045	Erik Kropp, Board Vice President Deschutes County 1300 NW Wall Street, 2 nd Floor Bend, OR 97703
---	--

Sara Stevenson Washington County 155 NW First Ave Hillsboro, OR 97124	Kirk Mylander CIS Trust 1212 Court St. NE Salem, OR 97301
--	--

Scott Moss, Administrator
CIS Trust

OREGON PUBLIC ENTITY EXCESS POOL

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statements of Net Position	5
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Required Supplementary Information	
Claims Development Information	13
Notes to Claims Development Information	14
Report on Internal Control Over Financial Reporting	15
Independent Auditor's Review of Fiscal Affairs	17



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Public Entity Excess Pool
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Oregon Public Entity Excess Pool as of June 30, 2017 and 2016 and the related Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and related notes to the financial statements for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oregon Public Entity Excess Pool as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

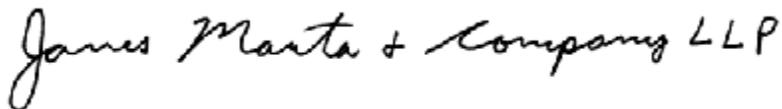
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Oregon Public Entity Excess Pool. The Claims Development Information is not a required part of the basic financial statements but is supplementary information required by GASB. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Claims Development Information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of Oregon Public Entity Excess Pool's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and 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* in considering Oregon Public Entity Excess Pool's internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 21, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OREGON PUBLIC ENTITY EXCESS POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Overview

The *Oregon Public Entity Excess Pool (OPEEP)* was formed March 27, 2015 by Clackamas County Oregon, Deschutes County Oregon, Washington County Oregon and the CIS Trust under authority of ORS 30.282 by intergovernmental agreement pursuant to ORS 190.010 to provide, under a Board of Directors (the Board), administration of joint risk retention, risk management services and group purchasing of insurance and reinsurance. The fiscal year ending June 30, 2016 was the first year of OPEEP operations. During FY2017 and FY2016 OPEEP was fully insured for all claims exposures through reinsurance, however, as of July 1, 2017 OPEEP changed its risk profile by agreeing to pay the initial \$1 million aggregate layer of claims in exchange for a premium decrease from the reinsurer.

The basic concept behind OPEEP is:

- Aggregate the needs of similar public entities to create economies of scale that reduce costs and increase benefits beyond those any one member can realize on its own.
- Collect a sufficient amount from members to pay for reinsurance, claims and expenses.
- Increase net position that allows OPEEP to achieve a level of self-insurance as surplus builds and the cost of reinsurance increases. Surplus net position also provides pricing stability and assurance that coverage will exist well into the future through reinsurance and risk retention.

OPEEP Market

Oregon "Public Bodies" as defined in ORS 30.260 (4) and public entity risk pools are eligible to participate in OPEEP coverage, programs and services. As an excess pool, OPEEP's primary market is larger self-insured cities, counties and other risk pools.

Financial Highlights

- As of June 30, 2017 total assets minus total liabilities (net position) is \$467,017 compared to \$451,986 at June 30, 2016.
- Total assets include Cash and cash equivalents of \$488,199 primarily invested in the State of Oregon Local Government Investment Pool.
- The total change in net position for FY2017 was \$15,031 and includes \$9,452 of operating income and \$5,579 of interest income. The change in net position for FY2016 was \$451,986 which included \$422,500 of Capital Contributions.

Summary of Results

OPEEP administers excess self-insurance and reinsurance programs for the liability exposures of its members.

- Member contributions in FY2017 were \$1.8 million compared to \$1.7 million in FY2016.
- Interest income, predominately from deposits held in the State of Oregon Local Government Investment Pool, was \$5,579 in FY2017 versus \$1,975 in FY2016.
- Reinsurance expense was \$1.7 million and represents the bulk of expenditures in FY2017. Reinsurance expense was \$1.6 million in FY2016. OPEEP took advantage of favorable reinsurance markets and fully insured all exposures in both FY2017 and FY2016, accordingly, OPEEP had no losses and loss adjustment expenses and there is no outstanding estimate for claims liability as of June 30, 2017. Effective July 1, 2017, OPEEP entered into a financial arrangement with its reinsurer in which OPEEP is responsible for the initial \$1 million aggregate layer of claims payments in FY2018. This arrangement and any claims activity will generate estimated loss expense and estimated outstanding claims liability for FY2018.
- General and administrative expenditures in FY2017 totaled \$108,798 compared to \$106,006 in FY2016; and were within budget. The majority of these expenses represent accounting and administrative support provided to OPEEP by CIS Trust under arrangements with the OPEEP Administrator.

**OREGON PUBLIC ENTITY EXCESS POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Description of Current Facts and Conditions that have a Significant Effect on Operations

The Board balances the fiscal strength of OPEEP with member needs and continuing budgetary pressure. Fiscal strength provides OPEEP options that directly benefit members. As OPEEP members collectively own the net position, funds can only be used to their benefit. The OPEEP Board sets rates for excess liability programs with a goal of member stability, while simultaneously protecting the capital position of OPEEP in order to assure coverage and stability well into the future. The Board determines the appropriate amount and time for the pool to retain risk of loss. The Board determined that for the first two years of operation OPEEP fully insured for all claims exposures through reinsurance. OPEEP purchases reinsurance for its members as a group.

OPEEP operates in an environment dependent on various external markets including investments, reinsurance, commercial insurance, and international financing networks that enable high limit coverage. Consumer markets such as services required to indemnify property and casualty claimants also closely impact the experience of OPEEP members and therefore, rates. It can be reasonably expected that OPEEP rate levels will not be independent of the economic realities that face OPEEP's business partners. Legislative and ballot measure activity influence claims activity and members' exposure to liability.

OPEEP provides broad coverage for tort claims and federal civil rights claims. Unlike Oregon tort claims, there are no caps on awards in federal cases, and the prevailing party often can be awarded legal fees as well as damages. Also different than many commercial insurance policies, OPEEP covers awards of back pay and so-called "front pay". This coverage protects the member, but can result in very high payouts when the member is found to have liability.

Certain external influences will impact OPEEP:

- Reinsurance has remained available at coverage levels required by OPEEP and rates for coverage remain stable for the 2018 fiscal year.
- Oregon Tort Claims Act Revisions. *Clarke vs. OHSU* redefined the actual value of the statutory cap on damages in tort liability claims. Limits for cities and counties increased to \$666,700 per claimant and \$1.2 million per occurrence on July 1, 2015. The cap increased again on July 1, 2017 to \$706,000 per claimant and \$1,412,000 per occurrence. The cap was further reviewed by the Oregon Supreme Court in the case of *Horton vs. OHSU*, which resulted favorably for Oregon local governments. Caselaw underlying the caps is much more stable now in that the court determined it is constitutional for the legislature to set caps on tort damages. OPEEP has had no claims that broach the limits under either new or old perspectives.

Description of the Basic Financial Statements

The *Statement of Net Position* provides information on all OPEEP assets and liabilities, with the difference reported as net position. Net position may be an indicator of the overall OPEEP financial condition. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing total revenue and expense and the resulting effect on net position. The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year.

BASIC FINANCIAL STATEMENTS

**OREGON PUBLIC ENTITY EXCESS POOL
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016**

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 488,199	\$ 459,486
Receivables	-	-
Other deposits and prepaid expenses	385	-
Total Current Assets	488,584	459,486
Noncurrent Assets		
Investments	-	-
Total Noncurrent Assets	-	-
Total Assets	488,584	459,486
 Liabilities		
Current Liabilities		
Accounts payable	21,567	-
Accrued expenses payable	-	7,500
Unearned contributions	-	-
Claims liabilities - current portion	-	-
Total Current Liabilities	21,567	7,500
Noncurrent Liabilities		
Claims liabilities	-	-
Total Liabilities	21,567	7,500
 Net Position		
Restricted	-	-
Unrestricted	467,017	451,986
Total Net Position	\$ 467,017	\$ 451,986

OREGON PUBLIC ENTITY EXCESS POOL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Member contributions	\$ 1,815,821	\$ 1,704,751
Total Operating Revenues	<u>1,815,821</u>	<u>1,704,751</u>
Operating Expenses		
Losses and loss adjustments	-	-
Reinsurance	1,697,571	1,571,234
General and administrative	108,798	106,006
Total Operating Expenses	<u>1,806,369</u>	<u>1,677,240</u>
Operating Income	<u>9,452</u>	<u>27,511</u>
Nonoperating Income		
Interest income	5,579	1,975
Capital contributions	-	422,500
Total Nonoperating Income	<u>5,579</u>	<u>424,475</u>
Change in Net Position	15,031	451,986
Beginning Net Position	<u>451,986</u>	-
Ending Net Position	<u>\$ 467,017</u>	<u>\$ 451,986</u>

**OREGON PUBLIC ENTITY EXCESS POOL
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash Flows From Operating Activities		
Operating revenues received	\$ 1,815,821	\$ 1,704,751
Losses and loss adjustment expenses paid	-	-
Reinsurance paid	(1,697,571)	(1,571,234)
General administration expenses paid	(95,116)	(98,506)
Net Cash Provided by Operating Activities	23,134	35,011
Cash Flows from Capital and Related Financing Activities		
Capital contributions	-	422,500
Net Cash Provided by Capital and Related Financing Activities	-	422,500
Cash Flows from Investing Activities		
Investment income received	5,579	1,975
Net Cash Provided by Investing Activities	5,579	1,975
Net Increase in Cash and Cash Equivalents	28,713	459,486
Beginning Cash and Cash Equivalents	459,486	-
Ending Cash and Cash Equivalents	\$ 488,199	\$ 459,486
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income	\$ 9,452	\$ 27,511
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
(Increase) Decrease in:		
Receivables	-	-
Deposits and Prepaid expenses	(385)	-
Increase (Decrease) in:		
Claims liabilities	-	-
Accounts and Accrued expenses payable	14,067	7,500
Unearned contributions	-	-
Net Cash Provided by Operating Activities	\$ 23,134	\$ 35,011
 Supplemental Disclosures		
Noncash Investing and Financing Activities		
Unrealized gain (loss) on market value of investments	\$ -	\$ -

**OREGON PUBLIC ENTITY EXCESS POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Oregon Public Entity Excess Pool (OPEEP or the pool) was established on March 27, 2015 by founding members Clackamas County Oregon, Deschutes County Oregon, Washington County Oregon and CIS Trust under authority of ORS 30.282 by intergovernmental agreement pursuant to ORS 190.010 to provide joint self-insurance and risk management services. OPEEP is both a public body and a public corporation under Oregon law.

ORS 30.282 regulations (as further clarified in OAR 836-011) require the pool to maintain an unallocated reserve ("surplus") account equal to the greater of 25 percent of annual contributions, or \$250,000. The *unallocated reserve account* is defined in OAR 836-011 as the amount that total assets exceed total liabilities and *annual contributions* means total contributions paid less any premium collected to procure insurance of any kind. OPEEP's Total Assets minus Total Liabilities represents the pool's Net Position. Accordingly, the \$422,500 of Capital contributions received from founding members during FY2016 that were specifically contributed with the intent to comply with ORS 30.282 have been recognized as Nonoperating Income. As of June 30, 2017 the required minimum ORS 30.282 unallocated reserve account is \$250,000.

B. MEMBERSHIP

"Public Bodies" as defined in ORS 30.260 (4) and public entity risk pools are eligible to participate in coverage, programs and services offered through OPEEP. At June 30, 2017, three Oregon counties, no Oregon cities, and one public entity risk pool were participating members of OPEEP. A member may withdraw from OPEEP only at the end of the coverage period with at least six months' written notice prior to the effective date of withdrawal.

C. DESCRIPTION OF PROGRAM

OPEEP was established to provide members with a risk sharing pool for excess liability. OPEEP limits its risk retention on each policy issued through reinsurance and uses reinsurance to reduce its exposure to loss. Under general liability reinsurance agreements OPEEP members retain the first \$1,000,000 of each of their general liability occurrences and the reinsurance funds the next \$9,000,000 of each occurrence. Under employers' liability reinsurance all members (except CIS Trust) retain the first \$1,000,000 of each of their employers' liability occurrences and reinsurance funds the next \$6,000,000 of each occurrence. CIS Trust retains the first \$3,000,000 of each employers' liability occurrence and the reinsurance funds the next \$6,000,000 of each CIS Trust occurrence. These agreements permit recovery of a portion of claims obligations from reinsurers; however, they do not discharge the pool member's or OPEEP's primary obligation for such liabilities.

Reinsurance premiums ceded to excess reinsurers totaled \$1,647,571 and \$1,571,234 in FY2017 and FY2016, respectively. As of June 30, 2017 there are no expected recoveries under the reinsurance agreements because there were no excess claims reported by OPEEP members.

**OREGON PUBLIC ENTITY EXCESS POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

D. BASIS OF ACCOUNTING

The financial statements of OPEEP have been prepared in conformity with generally accepted accounting principles (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 standards. The accompanying financial statements are prepared on the economic resources measurement focus and accrual basis of accounting in conformity with GAAP. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been received, except when a premium deficiency exists where unearned premiums are recognized currently. Operating revenue includes member contributions and fees, which are an integral part of the operations and financing of the covered risks and activities.

The GASB has issued various pronouncements that are not yet fully effective at June 30, 2017. OPEEP has evaluated whether or not the new GASB pronouncements are applicable to OPEEP operations and does not currently believe the new GASB pronouncements will have a significant financial impact to OPEEP or in issuing its financial statements.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Examples of significant estimates include unpaid claims liabilities (claims reserves, claims incurred but not reported and unallocated loss adjustment expense). Actual results could differ from those estimates.

F. REPORTING ENTITY

The OPEEP reporting entity includes all activities (operations of its Administrator, contracted services and the Board) as they relate to the pool. OPEEP has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements. In addition, OPEEP is not aware of any entity that would exercise such oversight responsibility that would result in OPEEP being considered a component unit of that entity. In determining its reporting entity, OPEEP considered all governmental units that were members of OPEEP since inception. The criteria did not require the inclusion of these entities in their financial statements principally because OPEEP does not exercise oversight responsibility over any members.

G. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are stated at fair market value and include all cash, balances in the State of Oregon Local Government Investment Pool (LGIP) and all highly liquid securities with original maturity of three months or less when purchased. Fair market values of LGIP have been determined by the sponsoring government based on quoted market prices.

**OREGON PUBLIC ENTITY EXCESS POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

H. OPERATING REVENUES

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the pool. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating revenues include all program contributions, related fees and assessments, which is integral to the financing of the insurance and risk management programs. Interest income and Capital contributions are classified as nonoperating income.

I. CONTRIBUTION INCOME

Contributions are recorded as revenue when earned over the term of the related insurance policies. Any advance payment of insurance related policies for coverage after June 30 is considered unearned contributions. Retrospective premiums, subject to various limitations and conditions, may be assessed by OPEEP upon members of OPEEP in the event a single loss or series of losses should exceed the remaining unexpended balance of premiums paid by members plus any investment income, gains, or other income derived therefrom. Supplemental assessments are recognized as income in the period assessed. Contribution development for OPEEP is performed using, among other items, loss estimates analysis and expected reinsurance costs. Contribution income consists of payments that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from joint self-insurance programs, and operating expenses.

J. UNPAID CLAIMS LIABILITIES (CLAIMS RESERVES, CLAIMS INCURRED BUT NOT REPORTED (IBNR) AND UNALLOCATED LOSS ADJUSTMENT EXPENSE)

OPEEP establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses), that have been reported but not settled, and IBNR. The length of time for which such costs must be estimated varies by the coverage involved. Estimated amounts of salvage and subrogation and excess-insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are re-computed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims 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. Adjustments to claims liabilities are charged or credited to losses and loss adjustment expense in the fiscal period in which they are computed.

K. INCOME TAX STATUS

OPEEP is an intergovernmental entity established pursuant to ORS 190 and is not subject to state income tax. This statute allows OPEEP members to provide joint funding for a broad array of risk management and self-insurance services, as such, it is not subject to federal income tax under Internal Revenue Code Section 115.

**OREGON PUBLIC ENTITY EXCESS POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

2. CASH AND CASH EQUIVALENTS

Cash consisted of the following as of June 30,:

	2017	2016
Balance per bank	\$ 4,953	\$ 4,921
Outstanding checks	-	(172)
Balance per books	4,953	4,749
Cash in pooled funds (LGIP)	483,246	454,737
Total Cash and cash equivalents	<u>\$ 488,199</u>	<u>\$ 459,486</u>

Bank Deposits and Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the pool's deposits may not be returned to it. OPEEP maintains deposits in accordance with ORS 295 which requires that deposit accounts in excess of federal depository insurance limits may only be maintained at qualified financial institutions identified by the Oregon State Treasurer. OPEEP deposits not covered by federal depository insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. PFCP is a shared liability structure for participating bank depositories, better protecting public funds but still not guaranteeing that all funds are 100% protected. A bank depository is required to pledge eligible securities with collateral valued in amounts determined by the Oregon State Treasurer.

State of Oregon Local Government Investment Pool

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments in OSTF is voluntary. OSTF investments are regulated by ORS 294, Oregon Investment Council and portfolio guidelines issued by the OSTF Board. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. At June 30, 2017, the fair value of deposits with the LGIP approximates cost. OSTF financial statements are available at <http://www.ost.state.or.us>.

3. RELATED PARTY TRANSACTIONS

CIS Trust is a participating and founding member of OPEEP. A CIS Trust employee is a member of the OPEEP Board. A different CIS Trust employee is the Administrator of OPEEP subject to the general supervision and policy direction of the OPEEP Board and Executive Committee. The Administrator has made arrangements with CIS Trust to perform various administrative functions for OPEEP. In FY2016 CIS Trust made a \$307,500 capital contribution to OPEEP and made program contributions to OPEEP of \$1,312,657 and \$1,282,823 in FY2017 and FY2016, respectively. CIS Trust expended \$11,625 of unreimbursed professional fees during FY2015 related to the formation of OPEEP and was reimbursed \$84,485 and \$80,250 by OPEEP for administrative costs in FY2017 and FY2016, respectively.

**OREGON PUBLIC ENTITY EXCESS POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

4. UNPAID CLAIMS LIABILITIES

OPEEP establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. During FY2017 and FY2016 OPEEP was fully insured for all claims exposures through reinsurance and there were no excess liability claims reported by the pool members, accordingly, as of June 30, 2017 and June 30, 2016 OPEEP had no unpaid claims and claim adjustment expenses outstanding.

5. SUBSEQUENT EVENTS

OPEEP management has evaluated its operations and financial transactions from June 30, 2017 (the date of the accompanying financial statements) through September 21, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**OREGON PUBLIC ENTITY EXCESS POOL
CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2017**

	2016	2017
Fiscal Years Ended June 30,		
(1) Required contribution and investment income:		
Earned	\$ 1,706,726	\$ 1,821,400
Ceded	1,571,234	1,697,571
Net	135,492	123,829
(2) Unallocated expenses	106,006	108,798
Policy Years Ended June 30,		
(3) Estimated incurred claims and allocated expenses, end of the policy year:		
Incurred	-	-
Assumed by reinsurers	-	-
Net incurred	-	-
(4) Paid (cumulative) as of:		
End of policy year	-	-
(5) Re-estimated claims and expenses assumed by reinsurers:	-	-
(6) Re-estimated incurred claims and allocated expenses:		
End of policy year	-	-
(7) Increase (decrease) in estimated incurred claims and expense from end of policy year	-	-

OREGON PUBLIC ENTITY EXCESS POOL
NOTES TO CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2017

The preceding tables illustrate how earned contribution revenue and investment income (net of reinsurance) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed. The rows of the table are defined as follows:

1. Total of each fiscal year's gross earned contribution revenues and investment income, net of ceded premiums placed with reinsurers.
2. Each fiscal year's other operating costs including overhead and claims administration costs.
3. Gross incurred claims and allocated claim adjustment expense, claims assumed by the reinsurers, and net incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. Cumulative net amounts paid as of the end of successive years for each policy year.
5. The latest re-estimated amount of claims assumed by reinsurers as of the end of the current fiscal year for each policy year.
6. Each policy year's net incurred claims as of the end of successive years. (Annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known).
7. Compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SUPPLEMENTARY INFORMATION



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oregon Public Entity Excess Pool
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon Public Entity Excess Pool, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Oregon Public Entity Excess Pool's basic financial statements, and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Public Entity Excess 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Public Entity Excess Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon Public Entity Excess 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

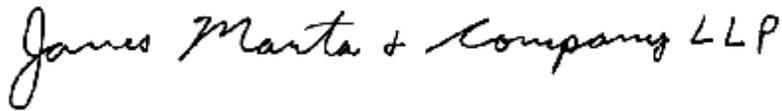
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 21, 2017

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

INDEPENDENT AUDITOR'S REVIEW OF FISCAL AFFAIRS

Oregon Administrative Rules 162-10-0000 through 162-10-0330 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the standards for conducting all audits of municipal corporations and prescribe the form of all audit reports. The required statements and schedules are set forth in the Basic Financial Statements section of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth on the following pages.



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

Independent Auditor's Review of Fiscal Affairs Required by Oregon State Regulations

We have audited the basic financial statements of the Oregon Public Entity Excess Pool as of and for the years ended June 30, 2017 and 2016 and have issued our report thereon dated September 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Oregon Public Entity Excess Pool financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **ORS Chapter 294 concerning the preparation and adoption of a budget is not applicable to this entity as a Public Corporation or Council of Governments and no budget is required under ORS 190 since the organization is not involved in providing services to individuals as defined under OAR 150-249.900.**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway funds (Not applicable)**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Oregon Public Entity Excess Pool was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

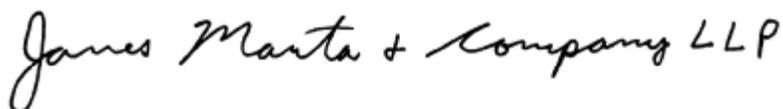
OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered Oregon Public Entity Excess 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Public Entity Excess Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon Public Entity Excess 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 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.

This report is intended solely for the information and use of the board of directors and management of Oregon Public Entity Excess Pool and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 21, 2017