Midwest Public Risk
19400 East Valley View Parkway
Independence, MO 64055

November 22, 2017

Kansas Department of Administration
Rogers Brazier
armunis@da.ks.gov

Mr. Brazier,

Enclosed are the audited June 30, 2017 and 2016 financial statements and corresponding internal control communications for Midwest Public Risk of Kansas (statutory basis) and Midwest Public Risk for submission to the Kansas Department of Administration within one year of the fiscal year ended. The $150 filing fee will follow before December 31, 2017.

If you have any questions on the enclosures, please contact Tarrah Dyal at 816-292-7573.

Sincerely,

Michael J. Sindel

Mike Sindel
Chief Financial Officer
Midwest Public Risk

MIDWEST PUBLIC RISK

OF KANSAS, INC.

STATUTORY FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

Midwest Public Risk of Kansas, Inc.
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CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Members
Midwest Public Risk:

We have audited the accompanying financial statements of the Midwest Public Risk of Kansas, Inc. (MPR of Kansas), which comprise the statutory statements of admitted assets, liabilities, and surplus as of June 30, 2017 and 2016, and the related statutory statements of revenues, expenses and changes in surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Insurance Department of the State of Kansas. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, the financial statements are prepared by MPR of Kansas on the basis of the financial reporting provisions of the Insurance Department of the State of Kansas, which is a basis of accounting other than U.S. generally accepted accounting principles, to comply with the requirements of the Insurance Department of the State of Kansas. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of MPR of Kansas as of June 30, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and surplus of MPR of Kansas as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, on the basis of the financial reporting provisions of the Insurance Department of the State of Kansas as described in Note 2.

Conner Ash P.C.

St. Louis, Missouri
November 15, 2017

Midwest Public Risk of Kansas, Inc.
Statutory Statements of Admitted Assets, Liabilities, and Surplus
As of June 30, 2017 and 2016

	2017	2016
ADMITTED ASSETS		
Cash and cash equivalents	$ 7,552,424	$ 6,171,118
Investments:		
Fixed income securities at amortized cost	432,765	442,204
Accrued interest	1,680	1,341
Contributions due from members	55,271	1,100
Excess insurance recoverable on paid losses	76,103	1,641
Other assets	19,905	15,508
Total admitted assets	$ 8,138,148	$ 6,632,912
LIABILITIES AND SURPLUS		
LIABILITIES		
Claim reserves	$ 2,015,630	$ 1,335,117
Unallocated loss adjustment expense (ULAE) reserves	97,684	80,818
Accounts payable	79,460	70,768
Advanced contributions	2,132,783	1,608,865
Accrued contribution tax liability	82,014	72,484
Accrued payroll	23,444	19,461
Due to other MPR funds	2,611,562	1,730,261
Loss control/wellness credit program liability	213,808	191,495
Total current liabilities	7,256,385	5,109,269
SURPLUS		
Members' fund balance - unreserved	881,763	1,523,643
Total liabilities and surplus	$ 8,138,148	$ 6,632,912

See accompanying notes and report of independent auditors.

Midwest Public Risk of Kansas, Inc.
Statutory Statements of Revenues, Expenses, and Changes in Surplus
For the Years Ended June 30, 2017 and 2016

	2017	2016
Underwriting revenues:		
Contributions earned (net of excess insurance premiums of $709,675 and $578,051 for 2017 and 2016, respectively)	$ 8,181,298	$ 7,243,963
Underwriting expenses:		
Incurred losses, net of recoveries:		
Paid	6,917,404	5,961,401
Change in reserves	665,311	274,575
Other insurance premiums	5,092	4,594
Contribution taxes	112,021	112,354
Claims administration fees:		
Allocated loss adjustment expenses	505,721	421,931
Change in unallocated loss adjustment expenses	12,632	3,442
Loss prevention	91,301	75,891
General and administrative	619,393	511,934
Total underwriting expenses	8,928,875	7,366,122
Net underwriting loss	(747,577)	(122,159)
Net investment income earned	78,612	91,799
Net realized capital gain	24,244	124,193
Net investment gain	102,856	215,992
Net income (loss)	(644,721)	93,833
Change in non-admitted assets	(3,777)	13,152
Change in unrealized gain on investments	6,618	(3,034)
Members' fund balance, beginning of year	1,523,643	1,419,692
Members' fund balance, end of year	$ 881,763	$ 1,523,643

See accompanying notes and report of independent auditors.

Midwest Public Risk of Kansas, Inc.
Statutory Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Contributions collected, net of excess insurance	$ 8,651,045	$ 7,485,884
Losses and loss adjustment expenses paid	(6,917,404)	(5,961,401)
Net investment income collected	74,788	100,447
Insurance premiums paid	(7,242)	62,467
Contribution taxes paid	(102,313)	(110,456)
Claims administration fees paid	(476,423)	(385,652)
Loss prevention expenses paid	(68,989)	(30,697)
General and administrative expenses paid	(388,692)	(229,703)
Payments for personnel expenses	(258,674)	(219,306)
Net cash provided by operating activities	506,096	711,583
Cash flows from non-capital financing activities:		
Advances (to) from related parties	881,301	(153,090)
Deposits and other liabilities	(9,238)	(6,698)
Net cash provided by (used in) non-capital financing activities	872,063	(159,788)
Cash flows from investing activities:		
Proceeds from sales or maturities of investments	506,848	744,546
Cost of investments acquired	(503,701)	(757,905)
Net cash provided by (used in) investing activities	3,147	(13,359)
Net change in cash and cash equivalents	1,381,306	538,436
Cash and cash equivalents, beginning of year	6,171,118	5,632,682
Cash and cash equivalents, end of year	$ 7,552,424	$ 6,171,118

See accompanying notes and report of independent auditors.

1. Reporting Entity

Midwest Public Risk of Kansas, Inc. was formed effective July 1, 2009 as a result of the reorganization of MARCIT, which was a self-insurance program started July 1, 1983 to provide various types of insurance products, including employee benefits (health and dental), workers' compensation, and property and liability coverages. The MARCIT Board of Directors approved the reorganization of MARCIT into two public entity risk coverage pools and one administrative corporation, collectively known as Midwest Public Risk (MPR). The three new entities formed were:

- Midwest Public Risk (MPR), an administrative corporation providing administrative services to the two state (Kansas and Missouri) coverage pools and owning/managing the MPR building.
- Midwest Public Risk of Missouri (MPR of Missouri), a public entity risk coverage pool providing all three lines of coverage to Missouri public entities.
- Midwest Public Risk of Kansas, Inc. (MPR of Kansas), a public entity risk coverage pool providing employee benefits and property and liability coverage to Kansas public entities.

Each of the three entities is governed by a Board of Directors. The MPR Board of Directors is made up of directors from MPR of Missouri and MPR of Kansas governing boards.

While the operations have been organized by state, all of the entities share in each other's risk and share joint and severable liability. In addition, both MPR of Missouri and MPR of Kansas have entered into a management agreement with MPR to administer the day-to-day operations. Any profits or losses generated by MPR are ultimately distributed to the risk coverage pools on a proportionate basis.

MPR of Kansas provides employee benefits coverage to members located primarily in the eastern Kansas area and includes cities and counties. There were 11 members in MPR of Kansas' employee benefits program as of both June 30, 2017, and 2016. The MPR of Kansas' property and liability program had 19 and 15 members participating as of June 30, 2017, and 2016 respectively. The members select the Board of Directors.

MPR of Kansas' general objectives are to provide a self-insured program for local governmental entities; to improve the loss prevention program, thereby reducing claims and accidents; to reduce costs through sound and equitable claims management practices; and to provide excess insurance at a discount based on volume and lower risk exposure.

The financial statements present only the financial position and results of MPR of Kansas and are not intended to present the financial position of MPR or MPR of Missouri and the results of their operations and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements of MPR of Kansas:

A. Basis of Presentation – Fund Accounting

MPR of Kansas operates as a single proprietary fund, more specifically as an enterprise fund. A proprietary fund is used to account for the activities similar to those found in the private sector, where determination of net income is necessary or useful to sound financial administration. An enterprise fund is used because the services provided by MPR of Kansas' activities are provided to outside parties, the local governmental members of MPR of Kansas.

The accounts of MPR of Kansas are organized by claim year, each of which is accounted for separately because the composition of membership may change from year to year.

B. Statutory Accounting Principles

The accompanying financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the Insurance Department of the State of Kansas, which vary, in some respects, from GAAP. MPR of Kansas has adopted the codification principles which provide a comprehensive basis of statutory accounting and reporting and which have been approved by the National Association of Insurance Commissioners (NAIC) and adopted by the Insurance Department of the State of Kansas, as described in the *Annual Statement Instructions* and the *Accounting Practices and Procedures Manual*. "Prescribed" statutory accounting practices include state laws, regulations, and general administrative rules, as well as a variety of publications of the NAIC. "Permitted" statutory accounting practices include all accounting practices that are not prescribed, but are allowed by the domiciliary state insurance department. The most significant differences between prescribed and permitted statutory accounting practices and GAAP are as follows:

- Investments are valued on a basis prescribed by the NAIC. Under GAAP for governmental entities, investments are carried at fair market value and changes in fair market value are recognized in the operating statement. The balances under both methods were:

	2017	2016
Investments - NAIC	$ 432,765	$ 442,204
Investments - GAAP	431,769	448,822
Difference	$ 996	$ (6,618)

- Certain assets designated as "non-admitted assets" have been charged to fund balance. Under GAAP, those assets would have been reported at the lower of cost or net realizable value. MPR of Kansas' principal non-admitted assets are miscellaneous receivables, deposits, and prepaid expenses.

	2017	2016
Miscellaneous accounts receivable	$ 3,505	$ 15
Deposits	176,387	167,149
Prepaid expenses	50,793	59,744
Total non-admitted assets	$ 230,685	$ 226,908

- A comparison of the results of operations for the fiscal years ended June 30, 2017 and 2016, under the two different sets of accounting principles follows:

	For the Year Ended June 30, 2017		
	GAAP	NAIC	Difference
Net underwriting/operating loss	$ (747,577)	$ (747,577)	$ -
Net investment income	77,616	78,612	(996)
Net realized capital gain	24,244	24,244	-
Change in non-admitted assets	-	(3,777)	3,777
Change in unrealized gain on investments	-	6,618	(6,618)
Members' fund balance, beginning of year	1,757,169	1,523,643	233,526
Members' fund balance, end of year	$ 1,111,452	$ 881,763	$ 229,689

	For the Year Ended June 30, 2016		
	GAAP	NAIC	Difference
Net underwriting/operating income	$ (122,159)	$ (122,159)	$ -
Net investment income	98,417	91,799	6,618
Net realized capital gain	124,193	124,193	-
Change in non-admitted assets	-	13,152	(13,152)
Change in unrealized gain on investments	-	(3,034)	3,034
Members' fund balance, beginning of year	1,656,718	1,419,692	237,026
Members' fund balance, end of year	$ 1,757,169	$ 1,523,643	$ 233,526

C. Cash and Cash Equivalents

Interest-bearing deposit accounts are reported at cost plus accrued interest.

D. Investments

Investment carrying values have been determined in accordance with the methods prescribed by the NAIC. Bonds are reported at amortized cost. Investment income, less investment fees, is recorded when earned. Realized capital gains and losses are recognized upon the sale of securities using the specific identification method. A decline in a security's net realizable value that is other than temporary is treated as realized loss in the statement of operations, and the cost basis of the security is reduced to its estimated fair market value. Mutual funds are reported at fair market value. Unrealized gains and losses are recognized on the statutory statement of revenues, expenses, and changes in surplus.

E. Excess Insurance Recoverable on Paid Losses

MPR of Kansas uses excess insurance agreements to reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from the excess insurer, although it does not discharge the primary liability of MPR of Kansas as direct insurer of the risks, and MPR of Kansas thus remains contingently liable for amounts which excess carriers might be unable to pay. The A.M. Best ratings for the excess insurance carriers of MPR of Kansas range from A+ to A relative to their financial size categorization. As of June 30, 2017 and 2016, MPR of Kansas' excess insurance recoverable on paid losses was $76,103 and $1,641, respectively.

F. Claim Reserves

The employee benefits coverage is provided on a modified "claims made" basis, wherein the claim must have been incurred when the employee had coverage with MPR and must be reported within 12 months following the date such claim was incurred. A claim incurred in one fiscal year (claim period) and reported in the following fiscal year (claim period) will be covered, provided the employee had coverage when the claim was incurred.

In general, property and liability coverage is provided on a "claims occurrence" basis, wherein claims are generally covered under the policy in effect when the injury occurred, regardless of the date reported. However, liability coverage for public officials, employment practices and some law enforcement is provided on a "claims made" basis, wherein the claim must have been incurred and reported when the member had coverage with MPR.

G. **Unallocated Loss Adjustment Expenses**

Should MPR of Kansas decide not to continue operations, the accrued unallocated loss adjustment expense of $97,684 and $80,818 would cover the future handling of unsettled claims as of June 30, 2017 and 2016, respectively.

H. **Accrued Contribution Tax Liability**

The accrued contribution tax liability is a tax assessed by the State of Kansas on contributions collected from MPR of Kansas' employee benefits and property and liability members. The total tax owed for the fiscal year is due and paid to the state by September 30th of the following fiscal year. The accrued contribution tax liability as of June 30, 2017 and 2016 was $82,014 and $72,484, respectively.

I. **Unearned Contributions**

Contributions for the employee benefits coverage are due the first of each month, whereas property and liability contributions are collected at the beginning of the fiscal year; however, sometimes members process and mail their payments prior to the due date. As of June 30, 2017 and 2016, MPR of Kansas had received early contributions payments of $2,132,783 and $1,608,865 for July 2017 and 2016, respectively.

J. **Members' Fund Balance**

Members' fund balance is maintained on a claim year basis. The membership of any given claim year can change depending upon the governmental entities participating in the MPR of Kansas employee benefits and property and liability programs. MPR of Kansas is an assessable pool, and members participating in a given claim year may be assessed additional contributions if expenses exceed revenues for such claim year. To the extent revenues exceed expenses in a given claim year after all, or nearly all, related claims have been settled, and the Board of Directors and members authorize and approve a full or partial distribution of the surplus for that claim year, members participating in such claim year are entitled to receive a refund of contributions. There were no additional assessments or refunds of contributions to the MPR of Kansas members for the years ended June 30, 2017 and 2016.

The fund balances as of June 30, 2017 and 2016 are shown below:

	2017	2016
Designated for liquidity	$ 881,763	$ 1,523,643
Designated for net reserve capital fund	-	-
Total members' fund balance - unreserved	$ 881,763	$ 1,523,643

The portion of unassigned funds (surplus) less cumulative unrealized gains and losses at June 30, 2017 and 2016 was $795,451 and $1,443,949, respectively.

K. **Contributions Earned**

Employee benefits contributions are billed on a monthly basis and recognized as revenue in the month for which coverage is provided. Property and liability contributions are billed annually and recognized evenly over the fiscal year. The Board of Directors determines contributions on an annual fiscal year basis.

L. **Incurred Losses and Recoveries**

Incurred losses and recoveries represent claim expenses related to providing employee benefits and property and liability coverage. The incurred losses and recoveries include:

- Paid claims, net of recoveries
- Claim reserves, net of recoveries
- Loss adjustment expenses

M. Statutory Statements of Cash Flows

For purposes of the statutory statements of cash flows, cash and cash equivalents includes interest-bearing deposit accounts.

N. Federal Income Taxes

MPR of Kansas is not subject to federal income taxes under Section 115 of the Internal Revenue Code. Consequently, the financial statements do not contain a provision for taxes.

O. Acquisition Costs

MPR of Kansas incurs acquisition costs related to the acquisition of new or renewal contracts. MPR of Kansas' policy is to expense the costs as incurred.

P. Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Kansas requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Reclassifications

Certain prior year amounts have been reclassified to conform to the current presentation. Such reclassifications had no impact on the change in surplus for the year.

3. Cash and Investments

A. Cash and Cash Equivalents

MPR of Kansas maintains various interest-bearing deposit accounts to handle cash receipts, disbursements, and idle cash balances for its funds. Deposits in financial institutions must be collateralized by securities pledged to MPR of Kansas by these same institutions. At June 30, 2017 and 2016, MPR of Kansas' bank balances were either fully insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with securities held by MPR of Kansas or by its agent in MPR of Kansas' name.

B. Investments

MPR of Kansas' articles of incorporation and bylaws contain no provision regarding deposits or the type of investments that may be purchased. The State of Kansas restricts the type of investments MPR of Kansas may purchase. Permitted investments include government and corporate obligations, stocks, real estate, and a variety of other securities and debt instruments, although many of the options are available only if a number of specified criteria are satisfied.

MPR of Kansas' investment policy contains an asset allocation policy that includes: short-term investments, U.S. Treasury obligations, U.S. government direct agency obligations, collateralized and/or FDIC insured time and demand deposits, collateralized repurchase agreements, mortgage-backed, asset-backed, and commercial mortgage-backed securities, collateralized mortgage obligations, corporate bonds, commercial paper, bankers' acceptances, and municipal bonds. Additionally, the risk asset allocation policy limits the amount of the following investments: U.S. equities (large, mid, and small), international equity/debt, commodities, high-yield fixed income, and cash equivalents.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the statement of admitted assets, liabilities, and surplus and the statement of revenues, expenses, and changes in surplus. The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair market values of investments as of June 30, 2017 and 2016 were as follows:

	June 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Fixed income	$ 432,765	$ 820	$ (1,816)	$ 431,769
Total fixed maturities	432,765	820	(1,816)	431,769
Cash	7,552,424	-	-	7,552,424
Total cash and invested assets	$ 7,985,189	$ 820	$ (1,816)	$ 7,984,193

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Fixed income	$ 442,204	$ 6,714	$ (96)	$ 448,822
Total fixed maturities	442,204	6,714	(96)	448,822
Cash	6,171,118	-	-	6,171,118
Total cash and invested assets	$ 6,613,322	$ 6,714	$ (96)	$ 6,619,940

The amortized cost and estimated fair market value of debt securities at June 30, 2017 and 2016, by contractual maturity, are shown below. The estimated fair market values for debt maturities are based on quoted market prices. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

	June 30, 2017		June 30, 2016	
	Amortized Cost	Estimated Fair Market Value	Amortized Cost	Estimated Fair Market Value
Due in years 1 through 5	$ 130,977	$ 130,740	$ 195,914	$ 196,373
Due in years 6 through 10	301,788	301,029	246,290	252,449
Total invested assets	$ 432,765	$ 431,769	$ 442,204	$ 448,822

4. Reconciliation of Claim Reserves

An analysis of claim reserves during the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Claim reserves at beginning of year, net of recoveries	$ 1,334,794	$ 1,063,681
Incurred claims and claim adjustment expenses, net of recoveries:		
Provision for insured events of the current year	7,894,474	6,570,602
Adjustment to provision for insured events of prior years	(309,585)	(338,088)
Total incurred claims and claim adjustment expenses, net of recoveries	7,584,889	6,232,514
Payments, net of recoveries:		
Claims and claim adjustment expenses attributable to insured events of the current year	6,521,205	5,641,860
Claims and claim adjustment expenses attributable to insured events of prior years	396,199	319,541
Total payments, net of recoveries	6,917,404	5,961,401
Claim reserves at end of year, net of recoveries	$ 2,002,279	$ 1,334,794
Statements of Admitted Assets, Liabilities, and Surplus recap:		
Claim reserves	$ 2,015,630	$ 1,335,117
Deductible receivable	(13,351)	(323)
Claim reserves at end of year, net of recoveries	$ 2,002,279	$ 1,334,794

See report of independent auditors.

5. Self-Insured Retention and Excess Insurance

MPR is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, just like the members for which it provides coverage. MPR is insured through the very same programs it provides to its members.

MPR uses excess insurance agreements to reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of MPR as direct insurer of the risks.

MPR retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by purchased excess insurance. A brief description of each of the programs follows. The self-insured retention amounts and excess insurance limits are listed in item C following the descriptions.

A. Employee Benefits Fund

MPR of Kansas' health program uses both deductibles and co-payments to spread the cost of the program and offers members the choice of three indemnity plans and a consumer directed health plan. All plans utilize preferred provider organizations (PPO). Provided enrollees stay in the network, one plan pays benefits at 90%, the second plan at 80%, and the third plan, offered only to retirees, pays benefits at 50% with no deductibles. MPR of Kansas also offers members a health maintenance organization (HMO) plan through Humana. This plan requires minimal co-payments. The excess insurance covers only paid claims within the fiscal year and does not cover claims reported but not processed or incurred but not reported. Premiums for this excess insurance coverage were $81,387 and $62,394 for the years ended June 30, 2017 and 2016, respectively. Those amounts are shown as a reduction of contributions earned.

B. Property and Liability Fund

(1) Liability Coverage

MPR of Kansas' liability coverage offers general liability, public officials/employment practices liability, auto liability, and crime and fidelity coverage. These coverages are continually refined to incorporate the Kansas Tort Claims Act limits, and recent court decisions.

(2) Property Coverage

MPR of Kansas offers property coverage to protect members' buildings, contents, inland marine, and auto physical damage, in addition to flood and earthquake coverage.

Premiums for excess liability and property coverage were $628,288 and $515,658 for the years ended June 30, 2017 and 2016, respectively. Deductibles for the property and liability coverages range from $500 to $10,000.

C. Self-Insured Retention Amounts and Excess Insurance Limits

Following are the self-insured retention and excess insurance limits.

		2017		2016
Employee Benefits:				
Self-insured retention:				
Specific	$	425,000	$	425,000
Excess insurance limit:				
Specific	$	1,575,000	$	1,575,000
Liability (Note 2):				
Self-insured retention:				
Specific	$	500,000	$	500,000
Excess insurance limits:				
Specific (Note 1)	$	500,000	$	500,000
Aggregate (millions)	$	25	$	25
Property (Note 2):				
Self-insured retention:				
Specific	$	250,000	$	150,000
Excess insurance limits:				
Specific (millions)	$	100	$	100
Aggregate (millions)	$	100	$	100

Note 1: Liability limit is dictated by the Kansas Tort Claims Act, which limits the amount for any number of claims arising out of a single occurrence or accident.

Note 2: Other deductibles and sub-limits apply to various types of losses.

6. Service Provider Agreements

Administration, underwriting, and claims management services are provided by Benefit Management, Inc., Cigna Healthcare, Humana, Delta Dental, and Vision Service Plan. Third party claims management services for the property and liability program were provided by Corporate Claims Management, Inc (CCMI) through February of 2017 after which time CCMI terminated their contract. Thomas McGee replaced CCMI. The allocated loss adjustment expense for the years ended June 30, 2017 and 2016 was $505,721 and $421,931 respectively. The unallocated loss adjustment expense for the years ended June 30, 2017 and 2016 was $12,632 and $3,442, respectively.

7. Related Party Transactions

MPR of Kansas has a risk sharing agreement with MPR of Missouri so each entity can obtain a larger risk sharing base by the aggregation of their assets and liabilities, thereby obtaining greater economies of scale cost savings resulting from the common joint administration. To accomplish this goal, both MPR of Kansas and MPR of Missouri entered into a management agreement with MPR, whereby MPR manages and administers the Employee Benefits Fund and the Property and Liability Fund established by MPR of Kansas and MPR of Missouri on a day-to-day basis in order to achieve the objectives of the funds. Administrative functions include: establishing and maintaining budgets, projections, studies, and analysis of the funds; establishing coverage documents in cooperation with the executive committee; distributing surplus or assessing deficiencies as determined by the executive committee and authorized by law; accepting and/or rejecting applications for membership; and hiring employees and retaining third party administrators. MPR does not receive a management fee for these services, but instead is reimbursed for the actual costs incurred in administering the pools. Costs are allocated to the pools based upon the type of fund (employee benefits, workers' compensation, and/or property and liability) for which the costs are incurred. Those costs associated with the funds are allocated to MPR of Kansas based on its percentage of contributions to the total combined employee benefits contributions and total combined property and liability contributions of both MPR of Missouri and MPR of Kansas.

8. Subsequent Events

MPR of Kansas has evaluated subsequent events through November 15, 2017, the date on which the financial statements were available to be issued.

CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

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An independent member of BKR International

REPORT TO THOSE CHARGED WITH GOVERNANCE

Board of Directors
Midwest Public Risk of Kansas, Inc.
Independence, Missouri

We have audited the statutory financial statements of Midwest Public Risk of Kansas, Inc. (MPR-KS) for the year ended June 30, 2017, and have issued our report thereon dated November 15, 2017. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by MPR-KS are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by MPR-KS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of loss reserves is based on individual case estimates for reported claims and an actuarial valuation for incurred but unreported claims, including development of reported claims. We evaluated the key factors and assumptions used to develop the loss reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the risk sharing arrangement in Note 1 between MPR-KS and Midwest Public Risk of Missouri.

- The disclosure of loss reserves and claims expense in Note 4 to the financial statements as described above.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MPR-KS' financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MPR-KS' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the Board of Directors, and others within MPR-KS, and is not intended to be, and should not be, used by anyone other than these specified parties.

Conner Ash P.C.

St. Louis, Missouri
November 15, 2017

CONNER ASH P.C.
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and Business Consultants

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REPORT ON MATTERS RELATED TO INTERNAL CONTROL

Board of Directors and Management
Midwest Public Risk of Kansas, Inc.
Independence, Missouri

In planning and performing our audit of the statutory financial statements of Midwest Public Risk of Kansas, Inc. (MPR-KS) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered MPR-KS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MPR-KS' internal control. Accordingly, we do not express an opinion on the effectiveness of MPR-KS' 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 MPR-KS' financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 communication is intended solely for the information and use of management, the Board of Directors, and others within MPR-KS, and is not intended to be, and should not be, used by anyone other than these specified parties.

Conner Ash P.C.

St. Louis, Missouri
November 15, 2017

MIDWEST PUBLIC RISK

COMBINED ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2017 and 2016

MPR

Member owned. Member focused.

Office Address:
19400 East Valley View Parkway
Independence, Missouri 64055

MIDWEST PUBLIC RISK

COMBINED ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2017 and 2016

President and Chief Executive Officer,
Terry W. Norwood

Office Address:

19400 East Valley View Parkway
Independence, Missouri 64055

Prepared by:

Chief Financial Officer,
Michael J. Sindel, CPA

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Members
Midwest Public Risk:

We have audited the basic combined financial statements of Midwest Public Risk, Midwest Public Risk of Missouri, and Midwest Public Risk of Kansas, Inc., collectively known as Midwest Public Risk (MPR), as of and for the years ended June 30, 2017 and June 30, 2016 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 financial position of MPR as of June 30, 2017 and June 30, 2016, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic combined financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Midwest Public Risk's financial statements as a whole.

The combining statements are presented as other supplementary information, and are not required to be presented. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information, as it relates to fiscal year ended June 30, 2017 and June 30, 2016, has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 standard generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

St. Louis, Missouri
November 15, 2017

Conner Ash P.C.

This section of the combined annual financial report of Midwest Public Risk (MPR), and its affiliates, Midwest Public Risk of Missouri (MPR of Missouri) and Midwest Public Risk of Kansas, Inc. (MPR of Kansas), collectively referred to as MPR, presents a discussion and analysis of the financial performance for the year ended June 30, 2017. Please read it in conjunction with the basic financial statements and the required supplementary information. This report also contains other supplementary information in addition to the basic financial statements, which includes combining financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

MPR's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of MPR is to cover employee benefit, workers' compensation, and property and liability claims for its governmental members. MPR operates in a manner similar to any other insurance company and uses a proprietary fund, more specifically an enterprise fund, to account for its activities.

Financial Statements

The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented are as follows:

Statement of Net Assets – This statement presents information reflecting MPR's assets, liabilities, and net assets. Net assets represent the amount of total assets less total liabilities. The statement of net assets is categorized as to current and non-current assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or will be due within twelve months of the statement date.

Statement of Revenues, Expenses and Changes in Net Assets – This statement reflects MPR's operating revenues and expenses, as well as non-operating revenues and expenses, during the fiscal year. The major source of operating revenues is contribution income, with the major type of expense being employee benefit, workers' compensation, and property and liability claims. The change in net assets for an enterprise fund is similar to the net profit or loss for any other insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the financial statements.

Other Information
In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning ten-year claims development and a reconciliation of claim reserves by fund.

Combining schedules that report financial activity by fund (Employee Benefits Fund, Workers' Compensation Fund, Property and Liability Fund, and MPR Management Fund) and legal entity (MPR of Missouri, MPR of Kansas, and MPR Management Fund) follow the required supplementary information.

FINANCIAL HIGHLIGHTS

Overall, MPR has stabilized in regards to changes in membership allowing staff to focus on process improvements. For the fiscal year ended June 30, 2017, MPR's financial position, as measured by net assets, declined by 13% or $4.2M. This result was primarily the result of higher than anticipated claims in the Employee Benefits and Property and Liability funds. In the Workers' Compensation fund, prior years continued to have negative claims development, although contributions exceeded expenses because of a transfer of $2.5M from the Property and Liability Fund.

The tables on the following pages present the summarized financial position and results of operations for the fiscal years ended June 30, 2017 and 2016. The Dollar Change and Percent Change columns are positioned as favorable and (unfavorable) to the financial results. Additional details are available in the accompanying financial statements.

	June 30, 2017	June 30, 2016	Dollar Change	Percent Change
	(in Millions)			
Assets				
Cash	$ 23.9	$ 16.6	$ 7.3	44%
Investments	39.9	39.8	0.1	0%
Accounts receivable and insurance recoverable	6.0	4.7	1.3	28%
Capital assets	6.0	6.1	(0.1)	(2%)
Other assets	1.6	1.8	(0.2)	(11%)
Total assets	$ 77.4	$ 69.0	$ 8.4	12%
Liabilities				
Current liabilities:				
Claims and loss adjustment reserves	$ 18.1	$ 13.5	$ (4.6)	(34%)
Other liabilities	21.2	13.5	(7.7)	(57%)
Non-current liabilities:				
Claim reserves	9.3	9.0	(0.3)	(3%)
Total liabilities	48.6	36.0	(12.6)	(35%)
Net Assets				
Invested in capital assets	6.0	6.1	(0.1)	(2%)
Unrestricted	22.8	26.9	(4.1)	(15%)
Total net assets	28.8	33.0	(4.2)	(13%)
Total liabilities and net assets	$ 77.4	$ 69.0	$ 8.4	12%

The most notable changes on the Statement of Net Assets, in addition to the decrease in net assets previously discussed, occurred in the following categories:

- Cash and other liabilities increased $7.3M and $7.7M, respectively, which was the impact of more members paying contributions early for fiscal year 2017/18.
- Current claim reserves increased $4.6M due to rises in property claims and incurred but not reported (IBNR) reserves.

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
	(in Millions)			
Operating revenues:				
Contributions earned	$ 64.0	$ 59.0	$ 5.0	8%
Operating expenses:				
Losses and loss adjustment expenses	53.6	47.5	(6.1)	(13%)
Administrative and claims processing expenses	15.3	13.7	(1.6)	(12%)
Total operating expenses	68.9	61.2	(7.7)	(13%)
Loss from operations	(4.9)	(2.2)	(2.7)	(123%)
Non-operating revenues:				
Net investment income	0.7	1.9	(1.2)	(63%)
Total non-operating revenues	0.7	1.9	(1.2)	(63%)
Decrease in net assets	(4.2)	(0.3)	(3.9)	(1300%)
Net assets, beginning of year	33.0	33.3	(0.3)	(1%)
Net assets, end of year	$ 28.8	$ 33.0	$ (4.2)	(13%)

Significant items include:

- Contributions increased $5M or 8% due to additional membership in the Employee Benefits and Property and Liability funds as well as rate increases from year to year.
- Claims experience declined this fiscal year as losses and loss adjustment expenses increased by 13% or $6.1M. On an overall basis, losses and loss adjustment expenses increased to $0.84 of each $1.00 collected in contributions from the $0.81 experienced in 2016. See the individual fund sections for a more detailed analysis.
- Administrative and claims processing expenses were $1.6M higher than in 2016 due to several factors including cost of excess insurance, claims administrative fees and the cost of implementing the Origami Risk software in general and administrative expenses.
- Net investment income (interest, dividends, realized gains and changes in fair market value) was $1.2M lower than in 2016 due primarily to decreases in unrealized gains on investments in all three programs.

FINANCIAL ANALYSIS OF THE MPR FUNDS

	June 30, 2017	June 30, 2016	Dollar Change	Percent Change
	(in Millions)			
Employee Benefits Fund	$ 11.8	$ 13.0	$ (1.2)	(9%)
Workers' Compensation Fund	5.0	3.0	2.0	67%
Property and Liability Fund	11.8	16.9	(5.1)	(30%)
MPR Management Fund	3.5	3.4	0.1	3%
Consolidation/Elimination entries	(3.3)	(3.3)	-	0%
Total	$ 28.8	$ 33.0	$ (4.2)	(13%)

MPR accounts are organized on the basis of type of coverage and by claim year, each of which is accounted for separately because the composition of membership may change from year to year. As such, resources from one fund are not available to cover expenses in another fund (i.e. a surplus of net assets in the Workers' Compensation Fund cannot be used to cover a deficiency in the Employee Benefits Fund). However, in the current fiscal year, members approved a refund of contributions from the Property and Liability Fund that was earmarked to be transferred to the Workers' Compensation Fund to assist with recent high claims experience. This was a one-time transfer and the funds are not expected to be returned to the Property and Liability Fund. The net asset balance and operating results for each type of coverage (fund) are discussed in the following individual fund sections.

Employee Benefits Fund

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
	(in Millions)			
Contributions earned	$ 43.0	$ 40.8	$ 2.2	5%
Losses and loss adjustment expenses	(39.0)	(35.4)	(3.6)	(10%)
Operating expenses	(5.4)	(4.8)	(0.6)	(13%)
Non-operating revenues	0.2	0.5	(0.3)	(60%)
Increase (decrease) in net assets	(1.2)	1.1	(2.3)	(209%)
Net assets, beginning of year	13.0	11.9	1.1	9%
Net assets, end of year	$ 11.8	$ 13.0	$ (1.2)	(9%)

The Employee Benefits Fund experienced a $1.2M decrease in net assets in 2017 compared to a $1.1M increase in 2016. The decrease in net assets is primarily a result of increased claims experience as $0.91 of every $1.00 in contributions was utilized to pay claims in 2017 compared to $0.87 in 2016. Additional items which contributed to these results include:

- The $2.2M increase in contributions was due to several factors including more covered lives in 2017 and a 5.4% average rate increase. The fund netted eight more members in 2017 and medical enrollees increased from approximately 4,600 to 4,700 or 2%. The program has a total of 86 members or 46% of all MPR program members.
- Losses and loss adjustment expenses increased $3.6M, or 10%, over last year's results. Increases in both the frequency and severity of claims have resulted in higher losses, as the number of large claims greater than $50,000 increased from 104 to 120 (15% increase), and the average large claim increased from $126,000 to $129,000 (2% increase). Additionally, in fiscal year 2017, three claims exceeded the self-retention limit of $425,000 and the additional $100,000 aggregate corridor before excess insurance would pay, which is comparable to fiscal year 2016.
- Non-operating revenues decreased $0.3M or 60% primarily from a decrease in unrealized gains on investments based on market fluctuations.

Workers' Compensation Fund

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
	(in Millions)			
Contributions earned	$ 8.8	$ 7.8	$ 1.0	13%
Losses and loss adjustment expenses	(6.2)	(6.7)	0.5	7%
Operating expenses	(3.1)	(2.9)	(0.2)	(7%)
Non-operating revenues	-	0.4	(0.4)	(100%)
Decrease in net assets	(0.5)	(1.4)	0.9	64%
Net assets, beginning of year	3.0	4.4	(1.4)	(32%)
Net asset transfers	2.5	-	2.5	100%
Net assets, end of year	$ 5.0	$ 3.0	$ 2.0	67%

Net assets in the Workers' Compensation Fund increased $2.0M from the prior year primarily as a result of a transfer of $2.5M from the Property and Liability Fund. Other notable items include:

- Contributions in this program increased by 13%. This was due primarily to the fund netting one more member in 2017 and an average rate increase of approximately 8%. The member count is now 95 versus 94 at the prior fiscal year-end, with an associated covered payroll of $240M in 2017 versus $235M in 2016 or an increase of 2%.
- Losses and loss adjustment expenses experienced a $0.5M decrease, with the loss ratio (losses as a percentage of contributions) decreasing from 86% in 2016 to 70% in 2017 as a result of favorable claims experience in the current claim year. The number of initial claims reported from year to year remained consistent at approximately 480 each fiscal year. Of the reported claims, MPR had a decrease in the frequency of large claims as 31 were over $50,000 last year versus 28 in the current year. The severity of large claims significantly decreased from $90,000 to $83,000. In 2017, the self-insured retention limit increased to $1M for all class codes compared to $0.75M for first responders and $0.6M for all others in 2016. No claims exceeded the self-insured retention limit in either fiscal year.
- Members approved a $2.5M transfer of Net Assets from the Property and Liability Fund to the Workers' Compensation Fund. The Net Assets were from older claim years in which no claims remain open to help the Workers' Compensation Fund with recent high claims experience.

Property and Liability Fund

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
	(in Millions)			
Contributions earned	$ 12.2	$ 10.4	$ 1.8	17%
Losses and loss adjustment expenses	(8.4)	(5.4)	(3.0)	(56%)
Operating expenses	(6.8)	(5.9)	(0.9)	(15%)
Non-operating revenues	0.4	0.9	(0.5)	(56%)
Decrease in net assets	(2.6)	-	(2.6)	(100%)
Net assets, beginning of year	16.9	16.9	-	0%
Net asset transfers	(2.5)	-	(2.5)	(100%)
Net assets, end of year	$ 11.8	$ 16.9	$ (5.1)	(30%)

The Property and Liability Fund posted a decrease of $5.1M in net assets due primarily to the $2.5M transfer of money to the Workers' Compensation Fund and increased claims experience. Other notable items include:

- Contribution revenues increased $1.8M or 17% from 2016 due to a net increase of nine new members and an average rate increase of approximately 11%. The member count is now 96 versus 87 at the prior fiscal year-end and approximately 52% of all members participate in this program.
- The higher contribution revenues were offset by increased losses and loss adjustment expenses of $3M, which is a loss ratio of 69%, compared to 52% in 2016. The number of initial claims reported from year to year significantly increased from approximately 340 in 2016 to approximately 480 in the current claim year. Of the reported occurrences over $50,000, frequency increased year to year going from 11 in 2016 to 19 in 2017 and severity of large claims increased dramatically from $94,000 in 2016 to $122,000 in 2017. MPR had three claims that exceeded the self-retention limits ($0.5M for liability and $0.3M for property) in 2017 and no claims of this magnitude in 2016.
- Members approved a one-time $2.5M transfer of Net Assets to the Workers' Compensation Fund.

MPR Management Fund

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
	(in Millions)			
Rent income	$ 0.6	$ 0.6	$ -	0%
Operating expenses	(0.5)	(0.6)	0.1	17%
Non-operating expenses	-	-	-	0%
Increase in net assets	0.1	-	0.1	100%
Net assets, beginning of year	3.4	3.4	-	0%
Net assets, end of year	$ 3.5	$ 3.4	$ 0.1	3%

The MPR Management Fund experienced no material change to net assets this fiscal year. This fund is responsible for paying MPR campus-related expenses (both operating and capital improvements) and receiving "rent" from the other funds to pay for those building expenses. Revenues in excess of expenses (net assets) are set aside to fund the debt service payments on the $2.5M interfund loan used to fund the construction of the campus.

FUND NET ASSETS – NET RESERVE CAPITAL (NRC) TARGETS

MPR has a net reserve capital policy which consistently and uniformly establishes targets for desired minimum and maximum net asset balances for each of the funds, excluding the MPR Management Fund. Due to the overhaul of the AM Best Adequacy Model, this policy was revised this year resulting in additional criteria to be used when calculating the target for each fund. For each of the three funds, the policy takes into account eight ratios to help identify the financial strength of each fund invididually. The policy also considers other criteria including the financial history of the program, significant changes in membership and contributions, and industry and marketplace factors.

The following target ranges were calculated using the June 30, 2017 financial statements. The Board's strategy is to have fund net assets fall within these target ranges. If the fund net assets exceed the target range, then the Board will consider a distribution of contributions back to the members.

	Net Assets	Target Range
	(in Millions)	
Employee Benefits Fund	$ 11.8	$ 11-13
Workers' Compensation Fund	$ 5.0	$ 9-10
Property and Liability Fund	$ 11.8	$ 8-9

The previous chart shows the Property and Liability Fund exceeds its target range, while the Employee Benefits Fund is within the target range. Similar to the prior year, the Workers' Compensation Fund is below the target range and the Board of Directors will continue discussions to get the program back within the target range. Due to outstanding and anticipated claims, members have not yet decided whether to approve a surplus distribution for the Property and Liability Fund.

ECONOMIC FACTORS AND NEXT YEAR'S PROGRAMS

The overall insurance marketplace is heading into what amounts to unknown territory. A new party occupies the White House and is very active in limiting government involvement in regulatory control and "America First" policies. Potential changes in personal and business taxes could have a significant impact on insurers. Other underlying conditions such as trade policies, withdrawal from international treaties and international debt payments could also directly impact insurance carrier bottom lines. All of these issues go directly to profitability and healthy competition in the marketplace which effect the contribution of our individual members. Much of this change could be within the next year.

In the State of Missouri the election of last November is beginning to show its effects which should continue into the next year. Tort reform regarding the standard of proof for employment lawsuits has tightened considerably. The specific changes which will drive down future employment practices liability costs include, the legal standard for determining compensability has changed from "contributing factor" to "motivating factor". This allows MPR (and other defendants) to argue the legal theory of "business judgment rule" which here to for could not be stated as a defense. Further, individual liability is no more in employment cases which limits the number of defendants and other damages are now capped. It is expected that in the next year employment cases will drop considerably. Also associated with the change of administration will be the appointment of new workers' compensation circuit judges. Missouri is known as an "employee oriented" liberal jurisdiction. With the appointment of a completely new slate of judges it appears that forthcoming decisions will be more "employer oriented" than at any time in the past 10 years.

On the nationwide front there are a couple of megatrends which will continue to impact MPR. First, the activity of cyber intrusions and crimes is growing exponentially. It is expected that cyber events will affect more and more of our members and direct financial losses will grow proportionally. Second, the use of drones by local government is expanding which will be followed by a canon of new law associated with the operation of this new and now affordable technology. In this sphere of national and international influence, MPR continually reviews its program offerings as it attempts to remain relevant in meeting the needs of members whose needs change continually due to new government regulations, catastrophic losses in the United States, or entry or exit of new competitors.

These are the impacts on programming for MPR for the coming year:

- MPR will attempt to expand its existing cyber liability coverage for its membership. Staff will be accessing the London overseas markets in an effort to expand coverage and procure additional limits of insurance. This coverage would be offered as a separate program for members and new members will be given the opportunity to participate on this stand-alone basis.

- MPR will also be expanding its web-based cyber liability training "Protecting the Human". In addition to individual training modules the program will offer a "phishing" exercise option for members to test their own employee's reaction to a suspicious email.

MPR is also going to utilize its relationship with a brokerage firm to perform marketing to cities and counties in the State of Kansas. This firm has particular expertise in power generation and will use a full time employee to make contact with prospective members. It is anticipated that as many as 10 members will result from this initiative in the next year.

BASIC FINANCIAL STATEMENTS

The basic financial statements are those financial statements which comprise the minimum presentation of Midwest Public Risk's combined financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Midwest Public Risk
Combined Statements of Net Assets
As of June 30, 2017 and 2016

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 23,863,033	$ 16,566,298
Investments - unrestricted	39,872,075	39,784,017
Accrued interest	190,780	154,234
Contributions due from members	777,211	1,165,994
Excess insurance recoverable - paid losses	803,600	69,704
Other assets	545,782	585,299
Total current assets	66,052,481	58,325,546
Non-current assets:		
Membership deposits	1,343,750	1,343,750
Excess insurance recoverable - unpaid losses	4,076,239	3,219,963
Capital assets, non-depreciable:		
Land and other non-depreciable assets	843,201	843,201
Capital assets, depreciable:		
Property and equipment, net of depreciation	5,112,877	5,259,168
Total non-current assets	11,376,067	10,666,082
Total assets	$ 77,428,548	$ 68,991,628
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Claim reserves	$ 17,409,201	$ 12,923,375
Reserve for ULAE	695,159	614,616
Accounts payable	1,093,776	1,023,247
Credit program liability	1,872,820	1,856,610
Unearned contributions	18,229,909	10,605,318
Total current liabilities	39,300,865	27,023,166
Non-current liabilities:		
Claim reserves	9,306,855	8,956,944
Total liabilities	48,607,720	35,980,110
NET ASSETS		
Invested in capital assets	5,956,078	6,102,368
Unrestricted	22,864,750	26,909,150
Total net assets	28,820,828	33,011,518
Total liabilities and net assets	$ 77,428,548	$ 68,991,628

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

Midwest Public Risk
Combined Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

OPERATING REVENUES	2017	2016
Contributions earned	$ 63,985,076	$ 59,004,074
OPERATING EXPENSES		
Losses and loss adjustment expenses:		
Paid	49,496,932	45,617,320
Change in reserves	4,076,513	1,838,977
Excess insurance premiums	4,642,794	4,134,383
Other insurance premiums	77,331	74,041
Contribution taxes	811,480	876,843
Claims administration fees	3,527,908	3,010,292
Loss prevention	1,123,290	984,829
General and administrative	4,842,221	4,418,005
Depreciation	242,498	242,031
Total operating expenses	68,840,967	61,196,721
Loss from operations	(4,855,891)	(2,192,647)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	613,174	840,503
Net increase in fair market value of investments	42,027	1,085,610
Other non-operating revenues	10,000	-
Total non-operating revenues	665,201	1,926,113
Decrease in net assets	(4,190,690)	(266,534)
Net assets, beginning of year	33,011,518	33,278,052
Net assets, end of year	$ 28,820,828	$ 33,011,518

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

Midwest Public Risk
Combined Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Contributions collected	$ 72,004,651	$ 56,719,206
Losses and loss adjustment expenses paid	(50,498,553)	(45,493,415)
Insurance premiums paid	(4,752,422)	(3,702,046)
Contribution taxes paid	(801,318)	(863,968)
Claims administration fees paid	(3,319,580)	(2,748,009)
Loss prevention expenses paid	(1,107,081)	(1,161,580)
General and administrative expenses paid	(2,288,133)	(2,575,004)
Personnel expenses paid	(2,362,809)	(2,171,774)
Net cash provided by (used in) operating activities	6,874,755	(1,996,590)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(86,208)	(85,953)
Net cash used in capital and related financing activities	(86,208)	(85,953)
Cash flows from investing activities:		
Proceeds from sales or maturities of investments	38,694,407	45,351,818
Purchase of investments	(38,946,035)	(46,002,137)
Interest received	759,816	964,218
Net cash provided by investing activities	508,188	313,899
Net change in cash and cash equivalents	7,296,735	(1,768,644)
Cash and cash equivalents, beginning of year	16,566,298	18,334,942
Cash and cash equivalents, end of year	$ 23,863,033	$ 16,566,298

(Continued)

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

Midwest Public Risk
Combined Statements of Cash Flows, Continued
For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	$ (4,855,891)	$ (2,192,647)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation expense	242,498	242,031
Effects of changes in:		
Contributions receivable	388,783	(380,760)
Excess insurance recoverable	(1,590,172)	551,814
Deductibles receivable	(89,290)	32,416
Other receivables	62,843	(88,887)
Prepaid expenses	65,964	210,837
Claim reserves	4,835,737	1,382,891
Unallocated loss adjustment expense reserve	80,543	33,138
Accounts payable	68,594	316,952
Accrued payroll	24,345	48,676
Credit programs liability	16,210	(176,751)
Unearned contributions	7,624,591	(1,976,300)
Total adjustments	11,730,646	196,057
Net cash provided by (used in) operating activities	$ 6,874,755	$ (1,996,590)
Supplemental schedule of non-cash investing activities:		
Change in fair market value of investments	$ 42,027	$ 1,085,610

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

1. REPORTING ENTITY

Midwest Public Risk (MPR) and its affiliates, Midwest Public Risk of Missouri (MPR of Missouri) and Midwest Public Risk of Kansas, Inc. (MPR of Kansas), collectively referred to as MPR, was formed as a self-insurance program to cover employee benefits (health and dental), workers' compensation, and property and liability claims for its members. MPR is organized into the following two public entity risk coverage pools and one administrative:

- Midwest Public Risk (MPR), an administrative corporation providing administrative services to the state coverage pools and owning/managing the MPR campus.
- Midwest Public Risk of Missouri (MPR of Missouri), a public entity risk coverage pool providing all three lines of coverage to Missouri public entities.
- Midwest Public Risk of Kansas, Inc. (MPR of Kansas), a public entity risk coverage pool providing employee benefits and property and liability coverage to Kansas public entities.

Each of the three entities is governed by a Board of Directors. The MPR Board of Directors is comprised of directors from MPR of Missouri and MPR of Kansas governing boards.

While the operations have been organized by state, all of the entities share in each other's risk and share joint and severable liability. In addition, both MPR of Missouri and MPR of Kansas have entered into a management agreement with MPR to administer the day-to-day operations. Any profits or losses generated by MPR are ultimately distributed to the risk coverage pools on a proportionate basis.

MPR began providing workers' compensation coverage in 1983 and employee benefits coverage and property and liability coverage in 1984. Members of MPR, located in Missouri and Kansas, include cities, counties, school districts, and other governmental entities. The members select the Board of Directors. At June 30, 2017, there were 96 members in the property and liability program, 95 members in the workers' compensation program, and 86 members in the employee benefits program, for a total and unduplicated count of 185 members.

MPR's general objectives are to provide a self-insured program for local governmental entities; to improve the loss prevention program, thereby reducing claims and accidents; to reduce costs through sound and equitable claims management practices; and to provide excess insurance at a discount based on volume and lower risk exposure. The accounting policies and financial reporting practices of MPR conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant accounting policies:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

MPR defines its financial reporting entity in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*. MPR has determined that no other outside entity meets the criteria. MPR's financial statements include the accounts of all MPR functions and activities.

B. Basis of Presentation – Fund Accounting

MPR operates as a proprietary fund, more specifically, as an enterprise fund. An enterprise fund is used because the services provided by MPR's activities are provided to outside parties, the local governmental members of MPR.

The accounts of MPR are organized on the basis of the type of coverage and by claim years, each of which is accounted for separately because the composition of the membership may change from year to year. MPR is comprised of six enterprise funds: the Employee Benefits Fund (Missouri), the Employee Benefits Fund (Kansas), the Workers' Compensation Fund, the Property and Liability Fund (Missouri), the Property and Liability Fund (Kansas), and the MPR Management Fund. Each fund is considered a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

C. Measurement Focus and Basis of Accounting

MPR's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting wherein all assets and liabilities associated with the activity of providing insurance services are included within the fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. Cash and Cash Equivalents

Interest-bearing deposit accounts are reported at cost plus accrued interest.

E. Investments

MPR reports its investments at fair market value. Investment income, net of investment expense, and changes in the fair market value of investments are recognized as revenue in the Combined Statements of Revenues, Expenses, and Changes in Net Assets.

F. Excess Insurance Recoverable on Paid and Unpaid Losses

MPR uses excess insurance agreements to reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of MPR as direct insurer of the risks, and MPR remains contingently liable for amounts which excess insurance carriers might be unable to pay. As of June 30, 2017 and 2016, the excess insurance recoverable is shown below:

	2017	2016
	(in Millions)	
Excess insurance recoverable on paid losses:		
Employee Benefits Fund specific	$ 0.4	$ -
Workers' Compensation Fund specific	0.3	0.1
Property and Liability Fund specific	0.1	-
Excess insurance recoverable on unpaid losses:		
Workers' Compensation Fund specific	2.9	3.2
Property and Liability Fund specific	1.2	-
Total excess insurance recoverable	$ 4.9	$ 3.3

G. Other Assets

Other assets consist of deductibles due from members, miscellaneous accounts receivable, and prepaid expenses.

H. Deposits

(1) Government Entities Mutual, Inc.

In 2002, the MPR Board of Directors approved MPR's membership in Government Entities Mutual, Inc. (GEM), a captive mutual insurance company. Payments from the Workers' Compensation and Property and Liability Funds totaling $500,000 were made to GEM as an initial surplus deposit. The terms of the membership agreement determine how and when a member may withdraw from the membership and/or receive funds from its surplus account. MPR's initial purchase of excess insurance through GEM was effective with the property and liability program's 2005 claim year.

(2) Humana

In 2009, Humana required a deposit in the amount of $195,000, estimated to cover approximately four days of claims activity. Due to higher claims activity in 2012, the deposit was increased to approximately $244,000. There was no change in 2016 or 2017.

(3) Cigna

In 2013, Cigna required a deposit in the amount of $600,000, estimated to cover approximately five days of claims activity. There was no change in 2016 or 2017.

I. Capital Assets

Capital assets, excluding land and construction in progress, that exceed $5,000 are capitalized and recorded at cost. These capital assets are depreciated over their estimated useful lives using the straight-line depreciation method. MPR estimates the useful lives of depreciable capital assets as follows:

Buildings	40 years
Furniture, fixtures, and equipment	7 years
Vehicles	5 years
Computer hardware	3 years
Computer software	3 years

J. Claim Reserves

Claim reserves are based on estimates of the ultimate cost of settling reported claims, including related loss adjustment expenses. Estimated amounts of subrogation, excess insurance recoveries, and deductibles are deducted from the reserves. An additional estimate is added to claims reserves for claims incurred but not reported (IBNR), as well as future loss development on known claims.

Because actual claim costs depend on such complex factors 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. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates that reflect 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 calculations 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 expense in the fiscal year in which they are determined.

In general, the workers' compensation and property and liability coverages are provided on an "occurrence" basis. Coverage is triggered under the policy in effect when the injury occurred, regardless of the date reported. However, coverage for wrongful acts (including public officials errors and omissions, employment practices liability, sexual harassment) is provided on a "claims made" basis, wherein the claim must have been incurred and reported when the member had coverage with MPR. Liability coverage for law enforcement was changed from a "claims made" basis to an "occurrence" basis in 2014.

The employee benefits coverage is provided on a modified "claims made" basis, wherein the claim must have been incurred when the employee had coverage with MPR and must be reported within 12 months following the date such claim was incurred. A claim incurred in one fiscal year (claim period) and reported in the following fiscal year (claim period) will be covered, provided the employee had coverage when the claim was incurred.

K. Reserve for Unallocated Loss Adjustment Expenses

This reserve recognizes the future cost of claims administration for all open and incurred but not reported claims; and represents the cost that cannot be associated with specific claims, but are related to claims paid or in the process of being settled. These expenses include salaries and other internal costs of the service agent's claim staff. The accrued estimate of $695,000 and $615,000 would cover the future handling of unsettled claims as of June 30, 2017 and 2016, respectively.

L. Unearned Contributions

Contributions are calculated in advance and recognized as revenue in the period for which coverage is provided. Contributions for workers' compensation and property and liability coverage are billed annually. Contributions for employee benefits coverage are billed on a monthly basis. Unearned contributions represent amounts paid by MPR members prior to the effective coverage date.

M. Loss Control/Wellness Credit Programs

MPR provides its members with loss control and wellness program credits to implement programs that will reduce claims at their respective entities. The amount of the credit is based on each member's annual contributions. The majority of the loss control and wellness credits is awarded at the beginning of the fiscal year and must be used within three years of receipt. To obtain the credits, the member must expend money on qualified loss reducing initiatives and is asked to submit proof of payment to MPR. For the years ended June 30, 2017 and 2016, members earned loss control and wellness credits in the amount of $804,000 and $710,000, respectively.

MPR also administers a Loss Control Recognition Program for the workers' compensation and property and liability programs. Unlike the reimbursement programs, the recognition program checks are issued after the end of the fiscal year to members who have met pre-established criteria. For the years ended June 30, 2017 and 2016, loss control recognition awards totaled $319,000 and $274,000, respectively.

N. Interfund Activity

In the process of aggregating data for the basic financial statements, some amounts representing interfund activity were eliminated or reclassified to minimize the overstatement of MPR's assets and liabilities. These transactions include, but are not limited to, the following: the loan for the MPR campus, the payment and receipt of principal and interest on the building loan, rent paid by each fund to the MPR Management Fund, the investment in the MPR Management Fund by the other funds, transfers of equity and capital assets to the MPR Management Fund, and other interfund receivables and payables arising from daily operations.

O. Net Assets

Net assets are maintained on a claim year basis. The membership of any given claim year can change depending upon the governmental entities participating in the MPR coverage pools. MPR is an assessable pool, and members participating in a given claim year may be assessed additional contributions if expenses exceed revenues for such claim year. To the extent that revenues exceed expenses in a given claim year after all, or nearly all, related claims have been settled, and the Board of Directors and members authorize and approve a full or partial distribution of the surplus for the claim year, members participating in such claim year will be entitled to receive a refund of contributions.

The $28,821,000 in net assets represents the cumulative net results of all claim years since inception. MPR reports net assets in the following components:

(1) Invested in Capital Assets

This consists of capital assets, net of accumulated depreciation that is attributable to the acquisition or construction of those assets.

(2) Restricted For Collateral

This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. There are no restricted net assets as of June 30, 2017 and 2016.

(3) Unrestricted

This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.” Items within this component are further categorized by designations. Designations are established by management to indicate tentative plans for financial resource utilization in a future period. The balance of net assets is undesignated. The following is a summary of the amount of unrestricted net assets, as designated by the Board of Directors:

	2017	2016
	(in Millions)	
Net assets designated for Capital Improvement Fund	$ 1.4	$ 1.7
Net assets designated for Net Reserve Capital Fund	15.6	14.9
Net assets designated for Catastrophic Claims Fund	4.0	4.0
Undesignated net assets	1.8	6.3
Total unrestricted net assets	$ 22.8	$ 26.9

P. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses include revenues and expenses directly associated with the provision of employee benefits, workers' compensation, and property and liability coverage to the members, as well as the operating revenues and expenses associated with the MPR campus management, accounted for in the MPR Management Fund.

Operating revenues include contribution income (and supplemental contribution assessments, if any) that are due from members for the coverage(s) they have requested. Operating expenses include losses and loss adjustment expenses (claims) incurred under the three coverages provided to the members. Also included are the claims and administration fees for processing and paying claims submitted by the members. Other operating expenses are excess insurance premiums, other insurance premiums, contribution taxes, loss prevention, general and administrative expenses, and depreciation.

(1) Contributions

Contributions are billed in advance and recognized as revenue over the period for which coverage is provided. Contributions are calculated using separate underwriting criteria for employee benefits, workers' compensation, and property and liability coverages.

(2) Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses represent claims expenses for benefits under the employee benefits, workers' compensation, and property and liability coverages. The losses and loss adjustment expenses include:

- Paid claims, net of recoveries
- Claim reserves, net of anticipated recoveries
- Loss adjustment expenses

Q. Non-Operating Revenues and Expenses

Non-operating revenues and expenses include investment income (net of investment expenses), changes in fair market value of investments, refunds of contributions, and withdrawal penalty income. Refunds of contributions represent distributions of excess net assets to the members.

R. Statements of Cash Flows

For the purpose of the statements of cash flows, cash and cash equivalents includes interest-bearing deposit accounts.

S. Income Taxes
MPR is not subject to federal income taxes under Section 115 of the Internal Revenue Code. Consequently, the financial statements do not contain a provision for income taxes.

T. Acquisition Costs
MPR incurs acquisition costs related to the acquisition of new or renewal contracts. MPR's policy is to expense the costs as incurred.

U. Significant Accounting Pronouncements
There are no recent accounting pronouncements that have or will materially affect MPR.

V. Use of Estimates
The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. Risks and Uncertainties
On occasion, MPR may enter into structured settlements and purchase annuities to facilitate closing a claim. Should the annuity insurance carrier fail to perform under the terms of the annuity, MPR would then be liable to make payments under the structured settlement agreement. There were no such agreements in place as of June 30, 2017 and 2016.

X. Reclassifications
Certain prior period amounts have been reclassified to conform to the current presentation. Such reclassifications have no impact on the change in net assets for the year.

Y. Rounding
Amounts presented in the notes to financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

3. CASH AND INVESTMENTS

A. Deposits

MPR maintains various interest-bearing deposit accounts for its funds. MPR's accounts are required by state law to be secured by the deposit of collateral with MPR or the trustee institution. The value of the securities must equal MPR's cash not insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2017, with the exception of approximately $50,000 of uncollected funds, MPR's bank balances were fully secured by collateral held by MPR or by its agent in MPR's name. At June 30 2016, MPR's bank balances were fully secured with the exception of approximately $50,000. These funds were collected and thus insured, the following day.

B. Investments

At June 30, 2017 and 2016, MPR had the following investments:

(in Millions)	FMV at June 30, 2017	Investment Maturities: Less Than 1 Year	1 - 5 Years	6 - 10 Years	No Maturity (Note 2)	Credit Risk (Note 1)
Fixed-income securities:						
Agency bonds	$ 4.1	$ -	$ 3.1	$ 1.0	$ -	AAA
Corporate bonds	5.1	1.8	2.3	1.0	-	A+
Municipal bonds	1.2	0.5	-	-	0.7	AA-
U.S. Government bonds	12.7	2.7	2.4	7.6	-	AAA
Total bonds	23.1	5.0	7.8	9.6	0.7	
Mortgage-backed securities (Note 2)	9.2	-	0.1	0.4	8.7	AAA
Total fixed-income securities	32.3	5.0	7.9	10.0	9.4	
Equity exchange traded funds (ETFs)	7.5	-	-	-	7.5	not rated
Total investments	$ 39.8	$ 5.0	$ 7.9	$ 10.0	$ 16.9	

(in Millions)	FMV at June 30, 2016	Investment Maturities: Less Than 1 Year	1 - 5 Years	6 - 10 Years	No Maturity (Note 2)	Credit Risk (Note 1)
Fixed-income securities:						
Agency bonds	$ 3.3	$ -	$ 2.3	$ 1.0	$ -	AAA
Corporate bonds	6.7	2.1	4.6	-	-	A+
Municipal bonds	0.5	-	0.5	-	-	A
U.S. Government bonds	13.9	-	8.6	4.2	1.1	AAA
Total bonds	24.4	2.1	16.0	5.2	1.1	
Mortgage-backed securities (Note 2)	8.6	-	-	-	8.6	AAA
Total fixed-income securities	33.0	2.1	16.0	5.2	9.7	
Equity exchange traded funds (ETFs)	6.7	-	-	-	6.7	not rated
Total investments	$ 39.7	$ 2.1	$ 16.0	$ 5.2	$ 16.4	

Note 1: Represents Average credit rating.

Note 2: Mortgage-Backed securities (MBS) have varying effective maturities due to prepayments.

Fair market values of investments are generally based on quotes supported by an independent pricing service. MPR's articles of incorporation and bylaws contain no provision regarding deposits or the type of investments that may be purchased. Both the State of Missouri and the State of Kansas restrict the type of investments MPR may purchase. Permitted investments include: government and corporate obligations, stocks, real estate, and a variety of other securities and debt instruments, although many of the options are available only if a number of specified criteria are satisfied.

MPR's investment policy contains an asset allocation policy that includes: short-term investments, U.S. Treasury obligations, U.S. Government direct agency obligations, collateralized and/or FDIC insured time and demand deposits, collateralized repurchase agreements, mortgage-backed, asset-backed, and commercial mortgage-backed securities, collateralized mortgage obligations, corporate bonds, commercial paper, bankers' acceptances, and municipal bonds. Additionally, the risk asset allocation policy limits the amount of the following investments: U.S. equities (large, mid, and small), international equity/debt, commodities, high-yield fixed-income securities, and cash equivalents.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair market value of investment securities, it is possible changes in risks in the near term could materially affect the amounts reported in the basic financial statements. MPR's formal investment policies are as follows:

(1) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MPR's investments are subject to custodial risk because none are insured or registered by the financial institution acting as custodian, which holds the investments in the name of their trust department. Concentration of credit risk is the risk of loss attributed to the magnitude of MPR's investment in a single issuer. MPR minimizes credit risk by:

- Limiting investments to the types of securities listed in the investment policy and maintaining a standard of quality for those investments.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers engaged by MPR.
- Diversifying the portfolio by investing in different asset classes, sectors, security types, maturities, and issuers so that potential losses on individual securities will be minimized.

(2) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. MPR minimizes this risk by:

- Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities and limiting the average maturity of the portfolio in accordance with the investment policy.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017
Capital assets, non-depreciable:				
Land	$ 843,201	$ -	$ -	$ 843,201
Capital assets, depreciable:				
Buildings	5,901,154	-	-	5,901,154
Leasehold improvements	60,257	-	-	60,257
Furniture, fixtures, & equipment	354,970	-	-	354,970
Computer hardware	204,028	29,233	-	233,261
Software	127,451	10,000	-	137,451
Vehicles	80,546	56,974	(56,846)	80,674
Capital assets at historical cost	7,571,607	96,207	(56,846)	7,610,968
Less accumulated depreciation for:				
Buildings	(825,738)	(147,916)	-	(973,654)
Leasehold improvements	(1,954)	(1,694)	-	(3,648)
Furniture, fixtures, & equipment	(285,063)	(47,254)	-	(332,317)
Computer hardware	(165,654)	(25,881)	-	(191,535)
Software	(116,603)	(10,265)	-	(126,868)
Vehicles	(74,226)	(9,488)	56,846	(26,868)
Total accumulated depreciation	(1,469,238)	(242,498)	56,846	(1,654,890)
Capital assets, net of depreciation	$6,102,369	$ (146,291)	$ -	$5,956,078

Depreciation expense for both the years ended June 30, 2017 and 2016 was approximately $242,000.

5. DEFINED CONTRIBUTION RETIREMENT PLAN

MPR provides retirement benefits for its employees through a defined contribution retirement plan (MPR Money Purchase Plan). MPR is the administrator and the sole participating employer of the plan, which includes 22 active participants as of June 30, 2017. The MPR Board of Directors has the authority to establish and amend the plan's provisions, including the contribution requirements.

MPR contracts with Alliance Benefit Group for investing and recordkeeping services. Employees are eligible to participate from their date of hire and are immediately vested. MPR contributes 10% of annual compensation to the plan. There are no employee contributions to the plan. The plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries, and therefore, are excluded from the accompanying financial statements.

Employer contributions in the money purchase plan totaled $175,000 and $161,000 for the years ended June 30, 2017 and 2016, respectively. The fair market value of the plan assets as of June 30, 2017 and 2016 was $1,496,000 and $1,151,000, respectively. For the years ended June 30, 2017 and 2016, total pension expense, including administrative fees and the accrual associated with paid time off, was $177,000 and $165,000, respectively.

6. DEFERRED COMPENSATION PLAN

MPR administers a deferred compensation plan on behalf of its employees. The plan was established in accordance with Internal Revenue Code Section 457. The plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries, and therefore, are excluded from the accompanying financial statements. The fair market value of the plan assets was $365,000 and $260,000 as of June 30, 2017 and 2016, respectively. Contribution payments to the plan for both 2017 and 2016 were $9,000.

7. INTERFUND ACTIVITY

A. Interfund Assets/Liabilities

Individual interfund receivable and payable balances as of June 30, 2017 and 2016 are as follows:

Receivable Fund	Payable Fund	2017	2016
Employee Benefits Fund (MO)	Employee Benefits Fund (KS)	$ 2,146,000	$ 1,489,000
Property & Liability Fund (MO)	Property & Liability Fund (KS)	466,000	242,000
Property & Liability Fund (MO)	MPR Management Fund	243,000	258,000
Workers' Compensation Fund	MPR Management Fund	30,000	4,000
MPR Management Fund	Employee Benefits Fund (MO)	15,000	18,000
MPR Management Fund	Property & Liability Fund (MO)	14,000	17,000
MPR Management Fund	Workers' Compensation Fund	14,000	17,000
Employee Benefits Fund (MO)	MPR Management Fund	7,000	4,000
Property & Liability Fund (MO)	Workers' Compensation Fund	3,000	-
	Total	$ 2,938,000	$ 2,049,000

All of the interfund balances are expected to be repaid during the next fiscal year.

B. MPR Note

On January 1, 2010, the Employee Benefits and Property and Liability Funds loaned the MPR Management Fund $3,899,000 to fund construction of the new MPR campus. As of December 5, 2012 the remaining balance of the note held in the Employee Benefits Fund was transferred to the Property and Liability Fund. On June 8, 2017 $1,000,000 of the note balance was transferred from the Property and Liability Fund to the Workers' Compensation Fund. The interest rate on the note is 4%, with interest payable semi-annually on December 31st and June 30th. The loan requires principal payments of approximately $195,000 annually on June 30th over the 20-year life of the note. The note matures on June 30, 2031. Interest paid on the note for the years ended June 30, 2017 and 2016 was $111,000 and $119,000, respectively.

8. RISK MANAGEMENT

MPR is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, just like the members for which it provides coverage. MPR is insured through the very same programs it provides to its members.

MPR uses excess insurance agreements to reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of MPR as direct insurer of the risks.

MPR retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by purchased excess insurance. Brief descriptions of each of the programs follows. The self-insured retention amounts and excess insurance limits are listed in item D following the descriptions.

A. Employee Benefits Fund

MPR's health program uses both deductibles and co-payments to spread the cost of the program and offers members the choice of three indemnity plans and a consumer directed health plan. All plans utilize preferred provider organizations (PPO). Provided enrollees stay in the network, one plan pays benefits at 90%, the second plan at 80%, and the third plan, offered only to retirees, pays benefits at 50% with no deductibles. MPR also offers members a health maintenance organization (HMO) plan through Humana. This plan requires minimal co-payments.

The excess insurance covers only paid claims within the fiscal year and does not cover claims reported but not processed or incurred but not reported. Premiums for this excess insurance coverage were $483,000 and $379,000 for the years ended June 30, 2017 and 2016, respectively.

B. Workers' Compensation Fund

MPR's workers' compensation benefits are provided in accordance with the State of Missouri Workers' Compensation laws and the Missouri Department of Insurance regulations. Premiums for excess insurance coverage were $431,000 and $362,000 for the years ended June 30, 2017 and 2016, respectively. The workers' compensation coverage is not subject to a deductible.

C. Property and Liability Fund

(1) Liability Coverage

MPR's liability coverage offers general liability, public officials/employment practices liability, auto liability, cyber liability, and crime and fidelity coverage. These coverages are continually refined to incorporate sovereign immunity limits in the State of Missouri, the Kansas Tort Claims Act limits, and recent court decisions.

(2) Property Coverage

MPR offers property coverage to protect members' buildings, contents, inland marine, auto physical damage, in addition to flood and earthquake coverage.

Premiums for excess liability and property coverage were $3,699,000 and $3,364,000 for the years ended June 30, 2017 and 2016, respectively. Deductibles for the property and liability coverages range from $500 to $25,000.

D. Self-Insured Retention Amounts and Excess Insurance Limits

	Fiscal Year 2017	**Fiscal Year 2016**
Employee Benefits:		
Self-insured retention - specific	$ 425,000	$ 425,000
Excess insurance limit - specific	$ 1,575,000	$ 1,575,000

	Claim Year				
	2013	**2014**	**2015**	**2016**	**2017**
Workers' Compensation (Note 4):					
Self-insured retention:					
Specific	$ 500,000	$ 500,000	$ 500,000	$ 600,000	$ 1,000,000
Aggregate	34,036,078	20,831,991	19,925,483	16,713,629	17,192,756
Excess insurance limit:					
Specific	Statutory	Statutory	Statutory	Statutory	Statutory
Aggregate	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Liability:					
Self-insured retention:					
Specific	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Excess insurance limits:					
Specific	Note 1	Note 1	Note 1	Note 1	Note 1
Aggregate	Note 2	Note 2	Note 2	Note 2	Note 2
Property (Note 3):					
Per occurrence deductible	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000
Aggregate deductible	500,000	N/A	N/A	N/A	N/A
Per occurrence limit (millions)	N/A	N/A	N/A	N/A	N/A
Total policy limit (millions)	350	350	350	400	400

Note 1 -	Sovereign immunity limits:	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2016	Jan. 1 to Dec. 31, 2017
	Per person:	$ 398,638	$ 403,139	$ 409,123	$ 410,185	$ 414,418
	Per occurrence:	2,657,587	2,687,594	2,727,489	2,734,567	2,762,789
Note 2:	Commercial general liability policy annual aggregate (millions)	$ 20	$ 25	$ 25	$ 25	$ 25

Note 3: Other deductibles and sub-limits apply to various types of losses.

Note 4: Effective July 1, 2013, the specific retention limit for emergency personnel (police, firefighters, and emergency medical technicians) increased to $750,000. Effective September 21, 2016, the specific retention limit for all personnel increased to $1,000,000.

9. RECONCILIATION OF CLAIM RESERVES

An analysis of the change in claim reserves during fiscal years 2017 and 2016 is as follows:

	Fiscal Year 2017	Fiscal Year 2016
	(in Millions)	
Total claim reserves, beginning of fiscal year, net of recoveries	$ 18.7	$ 16.8
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	53.0	47.2
Adjustment to provision for insured events of prior fiscal years	0.5	0.3
Total incurred claims and claim adjustment expenses	53.5	47.5
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	40.9	37.4
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	8.8	8.2
Total payments	49.7	45.6
Total claim reserves, end of fiscal year, net of recoveries	$ 22.5	$ 18.7
Statement of net assets recap:		
Claim reserves - current	$ 17.4	$ 12.9
Claim reserves - non-current	9.3	9.0
Excess insurance recoverable on unpaid losses	(4.1)	(3.2)
Deductibles receivable	(0.1)	-
Total claim reserves, end of fiscal year, net of recoveries	$ 22.5	$ 18.7

Claim reserves are based on estimates of the ultimate cost of settling both reported and unreported claims, including related adjustment expenses. With the exception of employee benefits claims, it often takes several years to settle and finally close a claim. The current and non-current portions of claim reserves are shown in the statement of net assets recap above. The current portion of the claim reserves liability is based upon the estimated amount that will be paid in the next fiscal year.

10. THIRD PARTY SERVICES

Third party services represent expenses incurred for claims administration and broker services. Third party administration and claims management services for the Property and Liability and Workers' Compensation Funds were performed by Corporate Claims Management, Inc. (CCMI) through February of 2017 after which time CCMI terminated their contract. Thomas McGee replaced CCMI. Similar services for the Employee Benefits Fund are provided by Benefit Management, Inc., Cigna Healthcare, Humana, Inc., Delta Dental USA, and Vision Service Plan. The claims administration expense for the years ended June 30, 2017 and 2016 was $3,528,000 and $3,010,000, respectively, and includes unallocated loss adjustment expenses. Broker services were provided by various agents and totaled $963,000 and $812,000 for the years ended June 30, 2017 and 2016, respectively.

11. SUBSEQUENT EVENTS

MPR evaluated subsequent events from June 30, 2017 through November 15, 2017, the date the combined financial statements were issued. MPR concluded that no subsequent events have occurred that would require recognition or disclosure in the combined financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Midwest Public Risk
Ten-Year Claims Development – General Information
For the Ten-Year Period Ended June 30, 2017

The following tables illustrate how MPR's earned revenue (net of excess insurance) and investment income (net of investment expense) compare to related claims losses (net of losses assumed by excess insurance carriers) and other expenses assumed by MPR as of the end of each of the previous ten years for each fund. The rows of the tables are defined as follows:

1. **Contributions and Investment Revenue**
   This line shows the total of each claim year's gross earned contributions, supplemental contribution assessments, earned investment revenue (net of investment expense), amounts of ceded excess insurance premiums, and the net earned contributions (net of excess insurance) and investment revenue (net of investment expense).

2. **Unallocated Expenses**
   This line shows each claim year's other operating costs of the programs including taxes, administrative, loss control, and loss adjustment expenses not allocable to individual claims.

3. **Estimated Incurred Claims and Expenses**
   This line shows MPR's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurance carriers, and net incurred losses and loss adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered the coverage occurred (called the claim year).

4. **Net Paid (Cumulative)**
   This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each claim year.

5. **Re-estimated Ceded Claims and Expenses**
   This line shows the latest re-estimated amount of losses assumed by excess insurance carriers for each claim year.

6. **Re-estimated Incurred Claims and Expenses**
   This section of ten rows shows how each claim year's net incurred losses increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses, and emergence of new losses not previously known.)

7. **Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year**
   This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate is greater or less than originally thought. As data for individual claim years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years.

8. **Number of Claims Reported**
   This line shows the total number of claims reported, including lost time claims, medical only claims, and fatalities. Incidents that had no incurred costs are excluded.

9. **Open Claims**
   This line shows the number of reported claims that are a liability for future claim payments.

The columns of the tables show data for successive claim years.

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Midwest Public Risk
Ten-Year Claims Development Information
Employee Benefits Fund

	As of June 30, 2017 (Note 1)				
	2008 Claim Year	**2009 Claim Year**	**2010 Claim Year**	**2011 Claim Year**	**2012 Claim Year**
1. Contributions and investment revenue:					
Earned	$ 24,649,753	$ 33,868,486	$ 40,684,195	$ 51,213,857	$ 45,173,942
Ceded - excess insurance premiums	(427,070)	(458,901)	(528,793)	(512,420)	(510,051)
Net earned	24,222,683	33,409,585	40,155,402	50,701,437	44,663,891
2. Unallocated expenses	$ 3,362,104	$ 4,704,765	$ 4,723,979	$ 6,188,137	$ 5,124,954
3. Estimated incurred claims and expenses, end of policy year:					
Incurred	$ 22,695,821	$ 31,931,582	$ 37,623,352	$ 45,873,446	$ 43,331,425
Ceded - excess insurance recoveries	(147,673)	(458,019)	(658,462)	-	(9,512)
Net incurred	22,548,148	31,473,563	36,964,890	45,873,446	43,321,913
4. Net paid (cumulative) as of (Note 1):					
June 30, 2008	$ 20,502,262				
June 30, 2009	22,548,148	$ 28,926,389			
June 30, 2010	22,548,148	29,283,162	$ 33,259,599		
June 30, 2011	22,548,148	31,473,563	36,964,890	$ 40,402,343	
June 30, 2012	22,548,148	31,473,563	36,964,890	45,873,446	$ 38,799,138
June 30, 2013	22,548,148	31,473,563	36,964,890	45,873,446	43,321,913
June 30, 2014	22,548,148	31,473,563	36,964,890	45,873,446	43,321,913
June 30, 2015	22,548,148	31,473,563	36,964,890	45,873,446	43,321,913
June 30, 2016	22,548,148	31,473,563	36,964,890	45,873,446	43,321,913
June 30, 2017	22,548,148	31,473,563	36,964,890	45,873,446	43,321,913

Note 1: The claim policy year is July 1 to June 30. MPR is liable only for claims incurred and reported within 90 days after the end of the policy year. Individual members are responsible for all unreported claims after the 90-day period. For members that continue MPR's employee benefits coverage, unreported claims at the end of one claim year are covered in the subsequent claim year. As a result, subsequent re-estimation of incurred claims and expenses on an annual basis is not applicable to this fund.

(Continued)

Midwest Public Risk
Ten-Year Claims Development Information
Employee Benefits Fund, Continued

	As of June 30, 2017 (Note 1)				
	2013 Claim Year	**2014 Claim Year**	**2015 Claim Year**	**2016 Claim Year**	**2017 Claim Year**
1. Contributions and investment revenue:					
Earned	$ 43,119,220	$ 40,283,746	$ 39,976,328	$ 41,317,727	$ 43,200,891
Ceded - excess insurance premiums	(448,877)	(455,002)	(448,343)	(378,661)	(482,778)
Net earned	42,670,343	39,828,744	39,527,985	40,939,066	42,718,113
2. Unallocated expenses	$ 4,475,156	$ 3,814,367	$ 4,379,431	$ 4,509,045	$ 4,871,511
3. Estimated incurred claims and expenses, end of policy year:					
Incurred	$ 35,528,264	$ 31,105,865	$ 32,983,669	$ 36,632,471	$ 39,769,715
Ceded - excess insurance recoveries	(292,447)	-	(87,864)	(1,086,835)	(539,549)
Net incurred	35,235,817	31,105,865	32,895,805	35,545,636	39,230,166 (Note 2)
4. Net paid (cumulative) as of (Note 1):					
June 30, 2008					
June 30, 2009					
June 30, 2010					
June 30, 2011					
June 30, 2012					
June 30, 2013	$ 32,775,956				
June 30, 2014	35,235,817	$ 28,648,793			
June 30, 2015	35,235,817	31,105,865	$ 30,968,576		
June 30, 2016	35,235,817	31,105,865	32,895,805	$ 33,374,005	
June 30, 2017	35,235,817	31,105,865	32,895,805	35,545,636	$ 36,569,715

Note 1: The claim policy year is July 1 to June 30. MPR is liable only for claims incurred and reported within 90 days after the end of the policy year. Individual members are responsible for all unreported claims after the 90-day period. For members that continue MPR's employee benefits coverage, unreported claims at the end of one claim year are covered in the subsequent claim year. As a result, subsequent re-estimation of incurred claims and expenseson an annual basis is not applicable to this fund.

Note 2: Total estimated incurred claims and expenses equal $39,230,166 and include $36,569,715 of paid claims plus $3,200,000 claim reserves, less $539,549 excess reinsurance recoveries on paid losses.

Midwest Public Risk
Ten-Year Claims Development Information
Workers' Compensation Fund

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		As of June 30, 2017 (Note 1)				
		2008 Claim Year	**2009 Claim Year**	**2010 Claim Year**	**2011 Claim Year**	**2012 Claim Year**
1.	Contributions and investment revenue:					
	Earned	$ 4,514,530	$ 4,119,125	$ 3,951,257	$ 4,098,378	$ 5,179,266
	Ceded - excess insurance premiums	(199,758)	(235,721)	(199,616)	(235,547)	(289,302)
	Net earned	4,314,772	3,883,404	3,751,641	3,862,831	4,889,964
2.	Unallocated expenses	$ 1,101,872	$ 991,798	$ 1,316,586	$ 945,981	$ 1,362,287
3.	Estimated incurred claims and expenses, end of policy year:					
	Incurred	$ 2,600,000	$ 2,950,000	$ 3,280,000	$ 4,150,000	$ 4,569,664
	Ceded - excess insurance recoveries	-	-	-	-	-
	Net incurred	2,600,000	2,950,000	3,280,000	4,150,000	4,569,664
4.	Net paid (cumulative) as of (Note 1):					
	June 30, 2008	$ 969,443				
	June 30, 2009	1,832,010	$ 1,061,255			
	June 30, 2010	2,170,751	1,305,616	$ 1,297,414		
	June 30, 2011	2,236,598	1,540,984	2,457,663	$ 1,437,224	
	June 30, 2012	2,245,034	2,001,750	2,766,274	2,237,655	$ 1,656,488
	June 30, 2013	2,284,108	2,028,380	2,960,410	2,704,321	2,975,158
	June 30, 2014	2,302,722	2,049,778	2,939,743	2,866,134	3,542,345
	June 30, 2015	2,519,420	2,057,448	2,955,408	2,935,663	3,592,388
	June 30, 2016	2,585,619	2,067,314	3,182,750	2,977,565	3,715,200
	June 30, 2017	2,720,685	2,070,405	3,197,641	2,996,594	3,941,086
5.	Re-estimated ceded losses - excess insurance recoveries					
	June 30, 2017	$ (730,749)	$ -	$ (491,245)	$ (343,320)	$ (351,000)
6.	Re-estimated net incurred claims and expense (Note 1):					
	June 30, 2008	$ 2,450,000				
	June 30, 2009	2,270,000	$ 2,650,976			
	June 30, 2010	2,340,000	2,550,000	$ 2,390,000		
	June 30, 2011	2,270,000	2,470,000	2,480,000	$ 3,690,000	
	June 30, 2012	2,526,488	2,394,457	3,392,502	3,766,151	$ 4,569,664
	June 30, 2013	2,499,127	2,462,920	3,620,672	3,460,810	4,588,560
	June 30, 2014	2,741,313	2,372,693	3,278,457	3,122,944	3,984,899
	June 30, 2015	2,760,708	2,375,407	3,311,515	3,179,750	3,952,639
	June 30, 2016	2,759,699	2,329,949	3,338,934	3,117,947	3,993,522
	June 30, 2017	2,744,943	2,328,366	3,462,826	3,052,902	4,497,674
7.	Increase (decrease) in estimated net incurred claims and expense from end of policy year	$ 144,943	$ (621,634)	$ 182,826	$ (1,097,098)	$ (71,990)
8.	Number of claims reported as of end of policy year (Note 2):					
	June 30, 2008	369				
	June 30, 2009	377	378			
	June 30, 2010	378	386	371		
	June 30, 2011	378	391	378	429	
	June 30, 2012	378	391	378	433	490
	June 30, 2013	378	391	378	433	494
	June 30, 2014	378	391	378	433	494
	June 30, 2015	378	391	379	433	494
	June 30, 2016	378	391	379	433	494
	June 30, 2017	378	391	379	433	494
9.	Number of open claims as of June 30, 2017	2	3	6	3	6

Note 1: Workers' Compensation coverage is provided on a claims occurrence basis. The claim (policy) year is July 1 to June 30.

Note 2: Number of claims reported have been restated from prior years to exclude events and claims with no monetary loss and to include open claims in total number of claims reported.

(Continued)

Midwest Public Risk
Ten-Year Claims Development Information
Workers' Compensation Fund, Continued

		As of June 30, 2017 (Note 1)				
		2013 Claim Year	**2014 Claim Year**	**2015 Claim Year**	**2016 Claim Year**	**2017 Claim Year**
1.	Contributions and investment revenue:					
	Earned	$ 5,730,523	$ 7,485,433	$ 8,261,235	$ 8,110,253	$ 11,340,143
	Ceded - excess insurance premiums	(332,730)	(390,600)	(410,963)	(362,129)	(431,475)
	Net earned	5,397,793	7,094,833	7,850,272	7,748,124	10,908,668
2.	Unallocated expenses	$ 1,604,112	$ 2,242,776	$ 2,555,124	$ 2,572,751	$ 2,770,246
3.	Estimated incurred claims and expenses, end of policy year:					
	Incurred	$ 5,534,203	$ 5,401,916	$ 6,765,163	$ 5,618,490	$ 5,472,152
	Ceded - excess insurance recoveries	-	-	(921,723)	-	-
	Net incurred	5,534,203	5,401,916	5,843,440	5,618,490	5,472,152
4.	Net paid (cumulative) as of (Note 1):					
	June 30, 2008					
	June 30, 2009					
	June 30, 2010					
	June 30, 2011					
	June 30, 2012					
	June 30, 2013	$ 1,966,312				
	June 30, 2014	3,366,088	$ 2,063,012			
	June 30, 2015	3,750,277	4,033,809	$ 2,948,891		
	June 30, 2016	3,959,353	4,955,941	4,789,473	$ 2,431,325	
	June 30, 2017	4,017,648	5,315,118	5,996,449	4,107,718	$ 2,011,327
5.	Re-estimated ceded losses - excess insurance recoveries					
	June 30, 2017	$ -	$ -	$ (929,944)	$ -	$ -
6.	Re-estimated net incurred claims and expense (Note 1):					
	June 30, 2008					
	June 30, 2009					
	June 30, 2010					
	June 30, 2011					
	June 30, 2012					
	June 30, 2013	$ 5,534,203				
	June 30, 2014	4,645,527	$ 5,401,916			
	June 30, 2015	4,457,559	5,750,042	$ 6,765,163		
	June 30, 2016	4,764,684	5,847,152	7,369,093	$ 5,618,490	
	June 30, 2017	4,606,551	5,979,366	7,719,732	5,431,830	$ 5,472,152
7.	Increase (decrease) in estimated net incurred claims and expense from end of policy year	$ (927,652)	$ 577,450	$ 1,876,292	$ (186,660)	$ -
8.	Number of claims reported as of end of policy year (Note 2):					
	June 30, 2008					
	June 30, 2009					
	June 30, 2010					
	June 30, 2011					
	June 30, 2012					
	June 30, 2013	534				
	June 30, 2014	548	544			
	June 30, 2015	549	547	492		
	June 30, 2016	549	549	509	478	
	June 30, 2017	549	549	510	491	484
9.	Number of open claims as of June 30, 2017	8	10	35	41	214

Note 1: Workers' Compensation coverage is provided on a claims occurrence basis. The claim (policy) year is July 1 to June 30.

Note 2: Number of claims reported have been restated from prior years to exclude events and claims with no monetary loss and to include open claims in total number of claims reported.

Midwest Public Risk
Ten-Year Claims Development Information
Property and Liability Fund

		As of June 30, 2017 (Note 1)				
		2008 Claim Year	2009 Claim Year	2010 Claim Year	2011 Claim Year	2012 Claim Year
1.	Contributions and investment revenue:					
	Earned	$ 6,162,359	$ 5,464,360	$ 6,168,036	$ 5,820,190	$ 7,537,829
	Ceded - excess insurance premiums	(1,538,584)	(1,061,454)	(1,084,718)	(1,071,133)	(1,260,195)
	Net earned	4,623,775	4,402,906	5,083,318	4,749,057	6,277,634
2.	Unallocated expenses	$ 1,010,207	$ 1,440,080	$ 1,631,022	$ 1,798,256	$ 2,292,776
3.	Estimated incurred claims and expenses, end of policy year:					
	Incurred	$ 4,707,372	$ 3,735,309	$ 4,286,000	$ 4,408,259	$ 3,196,683
	Ceded - excess insurance recoveries	(260,000)	-	(486,000)	(1,538,259)	(89,922)
	Net incurred	4,447,372	3,735,309	3,800,000	2,870,000	3,106,761
4.	Net paid (cumulative) as of (Note 1):					
	June 30, 2008	$ 448,530				
	June 30, 2009	1,248,688	$ 555,144			
	June 30, 2010	1,696,556	800,458	$ 522,774		
	June 30, 2011	1,904,003	1,097,038	1,060,169	$ 712,225	
	June 30, 2012	1,968,580	1,444,494	1,252,549	1,231,171	$ 564,520
	June 30, 2013	2,022,015	1,589,513	1,525,733	1,386,268	1,490,302
	June 30, 2014	2,138,695	1,605,018	1,566,534	1,427,769	1,834,289
	June 30, 2015	2,141,620	1,630,738	1,614,083	1,733,431	1,841,310
	June 30, 2016	2,151,725	1,655,221	1,671,059	1,734,058	1,844,669
	June 30, 2017	2,145,558	1,655,221	1,670,844	1,669,296	1,875,811
5.	Re-estimated ceded losses - excess insurance recoveries					
	June 30, 2017	$ (276,187)	$ -	$ (676,164)	$ (1,115,484)	$ (100,491)
6.	Re-estimated net incurred claims and expense (Note 1):					
	June 30, 2008	$ 4,447,372				
	June 30, 2009	3,154,253	$ 3,735,309			
	June 30, 2010	2,755,303	3,040,375	$ 3,800,000		
	June 30, 2011	2,153,409	2,183,367	2,452,952	$ 2,870,000	
	June 30, 2012	2,052,950	1,643,422	2,557,899	2,313,225	$ 3,106,761
	June 30, 2013	2,037,109	1,453,161	2,136,256	1,712,645	2,650,344
	June 30, 2014	2,008,260	1,613,934	1,841,271	1,700,677	1,966,576
	June 30, 2015	2,008,794	1,594,494	1,847,251	2,026,107	1,907,457
	June 30, 2016	2,006,060	1,585,974	1,803,455	1,964,198	1,891,074
	June 30, 2017	2,003,435	1,593,159	1,840,265	2,011,122	2,023,698
7.	Increase (decrease) in estimated net incurred claims and expense from end of policy year	$ (2,443,937)	$ (2,142,150)	$ (1,959,735)	$ (858,878)	$ (1,083,063)
8.	Number of claims reported as of end of policy year	265	218	174	173	235
9.	Number of open claims as of June 30, 2017	1	1	1	2	1

Note 1: Claim years are from July 1 through June 30.

Note 2: The self-insured coverages include general liability, auto liability, auto physical damage, crime, errors and omissions, and property coverage. These coverages are provided on a claims-made basis for claim years 1999 through 2007, and therefore, the number of claims does not change. Claim year 2008 and subsequent claim years are on an occurrence basis for all coverages except public official coverage, which is on a claims-made basis.

(Continued)

Midwest Public Risk
Ten-Year Claims Development Information
Property and Liability Fund, Continued

		As of June 30, 2017 (Note 2)				
		2013 Claim Year	2014 Claim Year	2015 Claim Year	2016 Claim Year	2017 Claim Year
1.	Contributions and investment revenue:					
	Earned	$ 9,177,969	$ 11,238,702	$ 10,298,087	$ 10,360,367	$ 12,145,324
	Ceded - excess insurance premiums	(2,286,413)	(3,025,086)	(3,324,852)	(3,363,594)	(3,698,541)
	Net earned	6,891,556	8,213,616	6,973,235	6,996,773	8,446,783
2.	Unallocated expenses	$ 2,345,885	$ 2,528,020	$ 2,655,439	$ 2,691,751	$ 3,215,894
3.	Estimated incurred claims and expenses, end of policy year:					
	Incurred	$ 5,169,653	$ 4,640,844	$ 5,173,662	$ 5,244,813	$ 9,114,709
	Ceded - excess insurance recoveries	(726,000)	-	(25,000)	-	(1,322,998)
	Net incurred	4,443,653	4,640,844	5,148,662	5,244,813	7,791,711
4.	Net paid (cumulative) as of (Note 1):					
	June 30, 2008					
	June 30, 2009					
	June 30, 2010					
	June 30, 2011					
	June 30, 2012					
	June 30, 2013	$ 1,107,745				
	June 30, 2014	2,049,816	$ 1,167,701			
	June 30, 2015	3,427,991	2,903,223	$ 1,515,865		
	June 30, 2016	3,642,451	3,648,329	3,103,508	$ 1,639,488	
	June 30, 2017	3,833,108	3,934,717	4,478,584	2,710,091	$ 2,288,188
5.	Re-estimated ceded losses - excess insurance recoveries					
	June 30, 2017	$ (799,306)	$ (73,178)	$ (14,953)	$ -	$ (1,322,998)
6.	Re-estimated net incurred claims and expense (Note 1):					
	June 30, 2008					
	June 30, 2009					
	June 30, 2010					
	June 30, 2011					
	June 30, 2012					
	June 30, 2013	$ 4,443,653				
	June 30, 2014	4,015,158	$ 4,640,844			
	June 30, 2015	4,093,367	4,350,909	$ 5,148,662		
	June 30, 2016	3,937,722	4,698,067	5,385,265	$ 5,244,813	
	June 30, 2017	3,992,992	4,683,676	5,768,332	5,001,328	$ 7,791,711
7.	Increase (decrease) in estimated net incurred claims and expense from end of policy year	$ (450,661)	$ 42,832	$ 619,670	$ (243,485)	$ -
8.	Number of claims reported as of end of policy year	274	400	384	352	483
9.	Number of open claims as of June 30, 2017	4	16	21	42	270

Note 1: Claim years are from July 1 through June 30.

Note 2: The self-insured coverages include general liability, auto liability, auto physical damage, crime, errors and omissions, and property coverage. These coverages are provided on a claims-made basis for claim years 1999 through 2007, and therefore, the number of claims does not change. Claim year 2008 and subsequent claim years are on an occurrence basis for all coverages except public official coverage, which is on a claims-made basis.

Midwest Public Risk
Reconciliation of Claim Reserves by Fund
For the Years Ended June 30, 2017 and 2016

	Employee Benefits Fund		Workers' Compensation Fund		Property and Liability Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total claims reserves, beginning of fiscal year, net of recoveries	$ 2,951,204	$ 2,901,204	$ 8,723,126	$ 8,031,956	$ 6,983,920	$ 5,853,697	$ 18,658,250	$ 16,786,857
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current fiscal year	39,769,715	36,325,209	5,472,152	5,618,490	7,791,711	5,244,813	53,033,578	47,188,512
Adjustment to provision for insured events of prior fiscal years	(779,573)	(973,974)	693,018	1,096,810	626,424	144,943	539,869	267,779
Total incurred claims and claim adjustment expenses	38,990,142	35,351,235	6,165,170	6,715,300	8,418,135	5,389,756	53,573,447	47,456,291
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	36,569,715	33,374,005	2,011,327	2,431,325	2,288,187	1,639,488	40,869,229	37,444,818
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	2,171,631	1,927,230	3,792,113	3,592,805	2,850,302	2,620,045	8,814,046	8,140,080
Total payments, net of recoveries	38,741,346	35,301,235	5,803,440	6,024,130	5,138,489	4,259,533	49,683,275	45,584,898
Total claims reserves, end of fiscal year, net of recoveries	$ 3,200,000	$ 2,951,204	$ 9,084,856	$ 8,723,126	$ 10,263,566	$ 6,983,920	$ 22,548,422	$ 18,658,250
Statement of net asset recap:								
Claim reserves - current	$ 3,200,000	$ 2,951,204	$ 7,816,201	$ 6,812,296	$ 6,393,000	$ 3,159,874	$ 17,409,201	$ 12,923,374
Claim reserves - non-current	-	-	4,129,789	5,130,793	5,177,066	3,826,151	9,306,855	8,956,944
Excess insurance recoverable on unpaid losses	-	-	(2,861,134)	(3,219,963)	(1,215,105)	-	(4,076,239)	(3,219,963)
Deductibles receivable	-	-	-	-	(91,395)	(2,105)	(91,395)	(2,105)
Total claim reserves, end of fiscal year, net of recoveries	$ 3,200,000	$ 2,951,204	$ 9,084,856	$ 8,723,126	$ 10,263,566	$ 6,983,920	$ 22,548,422	$ 18,658,250

OTHER SUPPLEMENTARY INFORMATION

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Midwest Public Risk
Combining Statement of Net Assets by Fund
As of June 30, 2017

ASSETS	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Current assets:							
Cash and cash equivalents	$ 4,716,853	$ 7,863,362	$ 11,039,706	$ 243,112	$ 23,863,033	$ -	$ 23,863,033
Investments - unrestricted	9,983,283	12,490,717	20,749,328	-	43,223,328	(3,351,253)	39,872,075
Accrued interest	33,807	54,478	102,495	-	190,780	-	190,780
Contributions due from members	414,903	362,308	-	-	777,211	-	777,211
Excess insurance recoverable - paid losses	364,010	331,697	107,893	-	803,600	-	803,600
Due from other funds	2,153,164	30,148	711,766	43,159	2,938,237	(2,938,237)	-
Other assets	215,466	17,730	235,503	77,083	545,782	-	545,782
Current note receivable - MPR campus	-	4,501	190,436	-	194,937	(194,937)	-
Total current assets	17,881,486	21,154,941	33,137,127	363,354	72,536,908	(6,484,427)	66,052,481
Non-current assets:							
Membership deposits	843,750	250,000	250,000	-	1,343,750	-	1,343,750
Excess insurance recoverable - unpaid losses	-	2,861,134	1,215,105	-	4,076,239	-	4,076,239
Non-current note receivable - MPR campus	-	990,999	1,348,251	-	2,339,250	(2,339,250)	-
Capital assets, non-depreciable:							
Land and other non-depreciable assets	-	-	-	843,201	843,201	-	843,201
Capital assets, depreciable:							
Property and equipment, net of depreciation	-	-	-	5,112,877	5,112,877	-	5,112,877
Total non-current assets	843,750	4,102,133	2,813,356	5,956,078	13,715,317	(2,339,250)	11,376,067
Total assets	$ 18,725,236	$ 25,257,074	$ 35,950,483	$ 6,319,432	$ 86,252,225	$ (8,823,677)	$ 77,428,548

(Continued)

Midwest Public Risk
Combining Statement of Net Assets by Fund, Continued
As of June 30, 2017

LIABILITIES AND NET ASSETS	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
LIABILITIES							
Current liabilities:							
Claim reserves	$ 3,200,000	$ 7,816,201	$ 6,393,000	$ -	$ 17,409,201	$ -	$ 17,409,201
Reserve for ULAE	509,667	86,650	98,842	-	695,159	-	695,159
Accounts payable	578,837	354,026	153,495	7,418	1,093,776	-	1,093,776
Due to other funds	2,160,691	17,600	479,788	280,158	2,938,237	(2,938,237)	-
Credit program liability	423,375	568,823	880,622	-	1,872,820	-	1,872,820
Unearned contributions	34,283	7,267,015	10,928,611	-	18,229,909	-	18,229,909
Current note payable - MPR campus	-	-	-	194,937	194,937	(194,937)	-
Total current liabilities	6,906,853	16,110,315	18,934,358	482,513	42,434,039	(3,133,174)	39,300,865
Non-current liabilities:							
Claim reserves	-	4,129,789	5,177,066	-	9,306,855	-	9,306,855
Non-current note payable - MPR campus	-	-	-	2,339,250	2,339,250	(2,339,250)	-
Total non-current liabilities	-	4,129,789	5,177,066	2,339,250	11,646,105	(2,339,250)	9,306,855
Total liabilities	6,906,853	20,240,104	24,111,424	2,821,763	54,080,144	(5,472,424)	48,607,720
NET ASSETS							
Net assets	11,818,383	5,016,970	11,839,059	3,497,669	32,172,081	(3,351,253)	28,820,828
Total liabilities and net assets	$ 18,725,236	$ 25,257,074	$ 35,950,483	$ 6,319,432	$ 86,252,225	$ (8,823,677)	$ 77,428,548

Midwest Public Risk
Combining Statement of Net Assets by Fund
As of June 30, 2016

ASSETS	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Current assets:							
Cash and cash equivalents	$ 5,228,344	$ 3,036,415	$ 8,076,043	$ 225,496	$ 16,566,298	$ -	$ 16,566,298
Investments - unrestricted	10,319,146	12,778,323	20,037,801	-	43,135,270	(3,351,253)	39,784,017
Accrued interest	29,895	44,735	79,604	-	154,234	-	154,234
Contributions due from members	1,036,489	129,505	-	-	1,165,994	-	1,165,994
Excess insurance recoverable - paid losses	10,747	58,957	-	-	69,704	-	69,704
Due from other funds	1,492,870	4,058	499,840	52,388	2,049,156	(2,049,156)	-
Other assets	120,219	36,618	370,536	57,926	585,299	-	585,299
Current note receivable - MPR campus	-	-	194,937	-	194,937	(194,937)	-
Total current assets	18,237,710	16,088,611	29,258,761	335,810	63,920,892	(5,595,346)	58,325,546
Non-current assets:							
Membership deposits	843,750	250,000	250,000	-	1,343,750	-	1,343,750
Excess insurance recoverable - unpaid losses	-	3,219,963	-	-	3,219,963	-	3,219,963
Non-current note receivable - MPR campus	-	-	2,534,188	-	2,534,188	(2,534,188)	-
Capital assets, non-depreciable:							
Land and other non-depreciable assets	-	-	-	843,201	843,201	-	843,201
Capital assets, depreciable:							
Property and equipment, net of depreciation	-	-	-	5,259,168	5,259,168	-	5,259,168
Total non-current assets	843,750	3,469,963	2,784,188	6,102,369	13,200,270	(2,534,188)	10,666,082
Total assets	$ 19,081,460	$ 19,558,574	$ 32,042,949	$ 6,438,179	$ 77,121,162	$ (8,129,534)	$ 68,991,628

(Continued)

Midwest Public Risk
Combining Statement of Net Assets by Fund, Continued
As of June 30, 2016

LIABILITIES AND NET ASSETS	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
LIABILITIES							
Current liabilities:							
Claim reserves	$ 2,951,204	$ 6,812,296	$ 3,159,875	$ -	$ 12,923,375	$ -	$ 12,923,375
Reserve for ULAE	430,111	85,690	98,815	-	614,616	-	614,616
Accounts payable	545,451	337,419	136,708	3,669	1,023,247	-	1,023,247
Due to other funds	1,506,490	17,288	259,015	266,363	2,049,156	(2,049,156)	-
Credit program liability	382,038	573,322	901,250	-	1,856,610	-	1,856,610
Unearned contributions	304,245	3,584,205	6,716,868	-	10,605,318	-	10,605,318
Current note payable - MPR campus	-	-	-	194,937	194,937	(194,937)	-
Total current liabilities	6,119,539	11,410,220	11,272,531	464,969	29,267,259	(2,244,093)	27,023,166
Non-current liabilities:							
Claim reserves	-	5,130,793	3,826,151	-	8,956,944	-	8,956,944
Non-current note payable - MPR campus	-	-	-	2,534,188	2,534,188	(2,534,188)	-
Total non-current liabilities	-	5,130,793	3,826,151	2,534,188	11,491,132	(2,534,188)	8,956,944
Total liabilities	6,119,539	16,541,013	15,098,682	2,999,157	40,758,391	(4,778,281)	35,980,110
NET ASSETS							
Net assets	12,961,921	3,017,561	16,944,267	3,439,022	36,362,771	(3,351,253)	33,011,518
Total liabilities and net assets	$ 19,081,460	$ 19,558,574	$ 32,042,949	$ 6,438,179	$ 77,121,162	$ (8,129,534)	$ 68,991,628

Midwest Public Risk
Combining Statement of Revenues, Expenses, and Changes in Net Assets by Fund
For the Year Ended June 30, 2017

OPERATING REVENUES	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Contributions earned	$ 43,007,327	$ 8,822,118	$ 12,155,631	$ -	$ 63,985,076	$ -	$ 63,985,076
OPERATING EXPENSES (REVENUES)							
Losses and loss adjustment expenses:							
Paid	38,741,345	5,803,438	4,952,149	-	49,496,932	-	49,496,932
Change in reserves	248,796	361,731	3,465,986	-	4,076,513	-	4,076,513
Excess insurance premiums	512,778	431,475	3,698,541	-	4,642,794	-	4,642,794
Other insurance premiums	-	-	29,976	47,355	77,331	-	77,331
Contribution taxes	250,269	546,346	14,865	-	811,480	-	811,480
Claims administration fees	2,736,857	296,776	494,275	-	3,527,908	-	3,527,908
Loss prevention	192,087	392,314	538,889	-	1,123,290	-	1,123,290
General and administrative	1,446,519	1,325,997	1,883,616	186,089	4,842,221	-	4,842,221
Rent expense (income)	215,778	209,432	209,431	(634,641)	-	-	-
Interest expense (income)	-	(2,556)	(108,125)	110,681	-	-	-
Depreciation	-	-	-	242,498	242,498	-	242,498
Total operating expenses (income)	44,344,429	9,364,953	15,179,603	(48,018)	68,840,967	-	68,840,967
Income (loss) from operations	(1,337,102)	(542,835)	(3,023,972)	48,018	(4,855,891)	-	(4,855,891)
NON-OPERATING REVENUES (EXPENSES)							
Investment income	176,692	144,041	291,812	629	613,174	-	613,174
Net increase (decrease) in fair value of investments	16,872	(101,797)	126,952	-	42,027	-	42,027
Other non-operating revenue (expense)	-	-	-	10,000	10,000	-	10,000
Total non-operating revenues (expenses)	193,564	42,244	418,764	10,629	665,201	-	665,201
Increase (decrease) in net assets	(1,143,538)	(500,591)	(2,605,208)	58,647	(4,190,690)	-	(4,190,690)
Net assets, beginning of year	12,961,921	3,017,561	16,944,267	3,439,022	36,362,771	(3,351,253)	33,011,518
Net asset transfers	-	2,500,000	(2,500,000)	-	-	-	-
Net assets, end of year	$ 11,818,383	$ 5,016,970	$ 11,839,059	$ 3,497,669	$ 32,172,081	$ (3,351,253)	$ 28,820,828

Midwest Public Risk
Combining Statement of Revenues, Expenses, and Changes in Net Assets by Fund
For the Year Ended June 30, 2016

OPERATING REVENUES	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Contributions earned	$ 40,823,591	$ 7,814,866	$ 10,365,617	$ -	$ 59,004,074	$ -	$ 59,004,074
OPERATING EXPENSES (REVENUES)							
Losses and loss adjustment expenses:							
Paid	35,301,234	6,024,132	4,291,954	-	45,617,320	-	45,617,320
Change in reserves	50,000	691,170	1,097,807	-	1,838,977	-	1,838,977
Excess insurance premiums	408,661	362,128	3,363,594	-	4,134,383	-	4,134,383
Other insurance premiums	-	-	29,969	44,072	74,041	-	74,041
Contribution taxes	355,025	511,328	10,490	-	876,843	-	876,843
Claims administration fees	2,364,160	225,962	420,170	-	3,010,292	-	3,010,292
Loss prevention	182,327	339,949	462,553	-	984,829	-	984,829
General and administrative	1,370,357	1,290,222	1,567,139	190,287	4,418,005	-	4,418,005
Rent expense (income)	207,176	201,083	201,084	(609,343)	-	-	-
Interest expense (income)	-	-	(118,912)	118,912	-	-	-
Depreciation	-	-	-	242,031	242,031	-	242,031
Total operating expenses (income)	40,238,940	9,645,974	11,325,848	(14,041)	61,196,721	-	61,196,721
Income (loss) from operations	584,651	(1,831,108)	(960,231)	14,041	(2,192,647)	-	(2,192,647)
NON-OPERATING REVENUES (EXPENSES)							
Investment income	208,232	197,021	434,588	662	840,503	-	840,503
Net increase in fair value of investments	285,903	274,341	525,366	-	1,085,610	-	1,085,610
Total non-operating revenues	494,135	471,362	959,954	662	1,926,113	-	1,926,113
Increase (decrease) in net assets	1,078,786	(1,359,746)	(277)	14,703	(266,534)	-	(266,534)
Net assets, beginning of year	11,883,135	4,377,307	16,944,544	3,424,319	36,629,305	(3,351,253)	33,278,052
Net assets, end of year	$ 12,961,921	$ 3,017,561	$ 16,944,267	$ 3,439,022	$ 36,362,771	$ (3,351,253)	$ 33,011,518

Midwest Public Risk
Combining Statement of Cash Flows by Fund
For the Year Ended June 30, 2017

	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Cash flows from operating activities:							
Contributions collected	$ 43,358,951	$ 12,278,070	$ 16,367,630	$ -	$ 72,004,651	$ -	$ 72,004,651
Losses and loss adjustment expenses paid	(39,175,993)	(6,076,178)	(5,246,382)	-	(50,498,553)	-	(50,498,553)
Insurance premiums paid	(512,778)	(431,475)	(3,741,520)	(66,649)	(4,752,422)	-	(4,752,422)
Contribution taxes paid	(243,881)	(546,346)	(11,091)	-	(801,318)	-	(801,318)
Claims administration fees paid	(2,556,072)	(308,967)	(454,541)	-	(3,319,580)	-	(3,319,580)
Loss prevention expenses paid	(150,750)	(393,456)	(562,875)	-	(1,107,081)	-	(1,107,081)
General and administrative expenses paid	(892,288)	(737,978)	(1,022,648)	364,781	(2,288,133)	-	(2,288,133)
Personnel expenses paid	(858,736)	(775,179)	(728,894)	-	(2,362,809)	-	(2,362,809)
Net cash provided by (used in) operating activities	(1,031,547)	3,008,491	4,599,679	298,132	6,874,755	-	6,874,755
Cash flows from capital and related financing activities:							
Repayment of long-term debt	-	(995,500)	1,190,437	(194,937)	-	-	-
Acquisition of capital assets	-	-	-	(86,208)	(86,208)	-	(86,208)
Net cash provided by (used in) capital and related financing activities	-	(995,500)	1,190,437	(281,145)	(86,208)	-	(86,208)
Cash flows from investing activities:							
Proceeds from sales or maturities of investments	10,154,721	8,052,294	20,487,392	-	38,694,407	-	38,694,407
Purchase of investments	(9,827,644)	(7,924,514)	(21,193,877)	-	(38,946,035)	-	(38,946,035)
Interest received	192,979	186,176	380,032	629	759,816	-	759,816
Intercompany (net)	-	2,500,000	(2,500,000)	-	-	-	-
Net cash provided by (used in) investing activities	520,056	2,813,956	(2,826,453)	629	508,188	-	508,188
Net change in cash and cash equivalents	(511,491)	4,826,947	2,963,663	17,616	7,296,735	-	7,296,735
Cash and cash equivalents, beginning of year	5,228,344	3,036,415	8,076,043	225,496	16,566,298	-	16,566,298
Cash and cash equivalents, end of year	$ 4,716,853	$ 7,863,362	$ 11,039,706	$ 243,112	$ 23,863,033	$ -	$ 23,863,033

(Continued)

Midwest Public Risk
Combining Statement of Cash Flows by Fund, Continued
For the Year Ended June 30, 2017

	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:							
Income (loss) from operations	$ (1,337,102)	$ (542,835)	$ (3,023,972)	$ 48,018	$ (4,855,891)	$ -	$ (4,855,891)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:							
Depreciation expense	-	-	-	242,498	242,498	-	242,498
Effects of changes in:							
Contributions receivable	621,586	(232,803)	-	-	388,783	-	388,783
Excess insurance recoverable	(353,263)	86,089	(1,322,998)	-	(1,590,172)	-	(1,590,172)
Deductibles receivable	-	-	(89,290)	-	(89,290)	-	(89,290)
Due from other funds	(660,294)	(26,090)	(211,925)	9,229	(889,080)	889,080	-
Other receivables	57,782	14,049	(7,592)	(1,396)	62,843	-	62,843
Prepaid expenses	(153,029)	4,839	231,915	(17,761)	65,964	-	65,964
Claim reserves	248,796	2,901	4,584,040	-	4,835,737	-	4,835,737
Unallocated loss adjustment expense reserve	79,556	960	27	-	80,543	-	80,543
Accounts payable	33,373	14,266	17,206	3,749	68,594	-	68,594
Accrued payroll	5,472	8,492	10,381	-	24,345	-	24,345
Due to other funds	654,201	312	220,772	13,795	889,080	(889,080)	-
Credit programs liability	41,337	(4,499)	(20,628)	-	16,210	-	16,210
Unearned contributions	(269,962)	3,682,810	4,211,743	-	7,624,591	-	7,624,591
Total adjustments	305,555	3,551,326	7,623,651	250,114	11,730,646	-	11,730,646
Net cash provided by (used in) operating activities	$ (1,031,547)	$ 3,008,491	$ 4,599,679	$ 298,132	$ 6,874,755	$ -	$ 6,874,755
Supplemental schedule of non-cash investing activities:							
Change in fair market value of investments	$ 16,872	$ (101,797)	$ 126,952	$ -	$ 42,027	$ -	$ 42,027

Midwest Public Risk
Combining Statement of Cash Flows by Fund
For the Year Ended June 30, 2016

	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Cash flows from operating activities:							
Contributions collected	$ 40,407,111	$ 7,018,810	$ 9,293,285	$ -	$ 56,719,206	$ -	$ 56,719,206
Losses and loss adjustment expenses paid	(35,282,036)	(5,972,036)	(4,239,343)	-	(45,493,415)	-	(45,493,415)
Insurance premiums paid	(408,661)	(362,129)	(2,883,595)	(47,661)	(3,702,046)	-	(3,702,046)
Contribution taxes paid	(343,274)	(511,328)	(9,366)	-	(863,968)	-	(863,968)
Claims administration fees paid	(2,116,079)	(205,886)	(426,044)	-	(2,748,009)	-	(2,748,009)
Loss prevention expenses paid	(173,205)	(563,507)	(424,868)	-	(1,161,580)	-	(1,161,580)
General and administrative expenses paid	(914,449)	(753,480)	(1,229,373)	322,298	(2,575,004)	-	(2,575,004)
Personnel expenses paid	(746,857)	(731,595)	(693,322)	-	(2,171,774)	-	(2,171,774)
Net cash provided by (used in) operating activities	422,550	(2,081,151)	(612,626)	274,637	(1,996,590)	-	(1,996,590)
Cash flows from capital and related financing activities:							
Repayment of long-term debt	-	-	194,937	(194,937)	-	-	-
Acquisition of capital assets	-	-	-	(85,953)	(85,953)	-	(85,953)
Net cash provided by (used in) capital and related financing activities	-	-	194,937	(280,890)	(85,953)	-	(85,953)
Cash flows from investing activities:							
Proceeds from sales or maturities of investments	11,939,831	10,623,844	22,788,143	-	45,351,818	-	45,351,818
Purchase of investments	(12,778,882)	(10,555,487)	(22,667,768)	-	(46,002,137)	-	(46,002,137)
Interest received	237,389	236,800	489,367	662	964,218	-	964,218
Net cash provided by (used in) investing activities	(601,662)	305,157	609,742	662	313,899	-	313,899
Net change in cash and cash equivalents	(179,112)	(1,775,994)	192,053	(5,591)	(1,768,644)	-	(1,768,644)
Cash and cash equivalents, beginning of year	5,407,456	4,812,409	7,883,990	231,087	18,334,942	-	18,334,942
Cash and cash equivalents, end of year	$ 5,228,344	$ 3,036,415	$ 8,076,043	$ 225,496	$ 16,566,298	$ -	$ 16,566,298

(Continued)

Midwest Public Risk
Combining Statement of Cash Flows by Fund, Continued
For the Year Ended June 30, 2016

	Employee Benefits Fund	Workers' Compensation Fund	Property and Liability Fund	MPR Management Fund	Total	Eliminations	Combined
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:							
Income (loss) from operations	$ 584,651	$ (1,831,108)	$ (960,231)	$ 14,041	$ (2,192,647)	$ -	$ (2,192,647)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:							
Depreciation expense	-	-	-	242,031	242,031	-	242,031
Effects of changes in:							
Contributions receivable	(421,360)	40,600	-	-	(380,760)	-	(380,760)
Excess insurance recoverable	23,436	492,378	36,000	-	551,814	-	551,814
Deductibles receivable	-	-	32,416	-	32,416	-	32,416
Due from other funds - operating	17,688	(3,702)	223,369	13,878	251,233	(251,233)	-
Other receivables	(78,297)	(14,520)	8,607	(4,677)	(88,887)	-	(88,887)
Prepaid expenses	(22,233)	19,982	211,339	1,749	210,837	-	210,837
Claim reserves	50,000	250,888	1,082,003	-	1,382,891	-	1,382,891
Unallocated loss adjustment expense reserve	10,047	10,650	12,441	-	33,138	-	33,138
Accounts payable	251,808	70,606	(4,378)	(1,084)	316,952	-	316,952
Accrued payroll	19,009	17,138	12,529	-	48,676	-	48,676
Due to other funds	(118,853)	(1,300)	(139,779)	8,699	(251,233)	251,233	-
Credit programs liability	9,122	(223,558)	37,685	-	(176,751)	-	(176,751)
Unearned contributions	97,532	(909,205)	(1,164,627)	-	(1,976,300)	-	(1,976,300)
Total adjustments	(162,101)	(250,043)	347,605	260,596	196,057	-	196,057
Net cash provided by (used in) operating activities	$ 422,550	$ (2,081,151)	$ (612,626)	$ 274,637	$ (1,996,590)	$ -	$ (1,996,590)
Supplemental schedule of non-cash investing activities:							
Change in fair market value of investments	$ 285,903	$ 274,341	$ 525,366	$ -	$ 1,085,610	$ -	$ 1,085,610

Midwest Public Risk
Combining Statement of Net Assets by Legal Entity
As of June 30, 2017

ASSETS	MPR of Missouri	MPR of Kansas	MPR Management Fund	Total	Eliminations	Combined
Current assets:						
Cash and cash equivalents	$ 16,067,497	$ 7,552,424	$ 243,112	$ 23,863,033	$ -	$ 23,863,033
Investments - unrestricted	42,791,559	431,769	-	43,223,328	(3,351,253)	39,872,075
Accrued interest	189,100	1,680	-	190,780	-	190,780
Contributions due from members	721,940	55,271	-	777,211	-	777,211
Excess insurance recoverable - paid losses	727,497	76,103	-	803,600	-	803,600
Due from other funds	2,895,078	-	43,159	2,938,237	(2,938,237)	-
Other assets	394,494	74,205	77,083	545,782	-	545,782
Current note receivable - MPR campus	194,937	-	-	194,937	(194,937)	-
Total current assets	63,982,102	8,191,452	363,354	72,536,908	(6,484,427)	66,052,481
Non-current assets:						
Membership deposits	1,167,363	176,387	-	1,343,750	-	1,343,750
Excess insurance recoverable - unpaid losses	3,869,824	206,415	-	4,076,239	-	4,076,239
Non-current note receivable - MPR campus	2,339,250	-	-	2,339,250	(2,339,250)	-
Capital assets, non-depreciable:						
Land and other non-depreciable assets	-	-	843,201	843,201	-	843,201
Capital assets, depreciable:						
Property and equipment, net of depreciation	-	-	5,112,877	5,112,877	-	5,112,877
Total non-current assets	7,376,437	382,802	5,956,078	13,715,317	(2,339,250)	11,376,067
Total assets	$ 71,358,539	$ 8,574,254	$ 6,319,432	$ 86,252,225	$ (8,823,677)	$ 77,428,548

(Continued)

Midwest Public Risk
Combining Statement of Net Assets by Legal Entity, Continued
As of June 30, 2017

LIABILITIES AND NET ASSETS	MPR of Missouri	MPR of Kansas	MPR Management Fund	Total	Eliminations	Combined
LIABILITIES						
Current liabilities:						
Claim reserves	$ 15,187,153	$ 2,222,048	$ -	$ 17,409,201	$ -	$ 17,409,201
Reserve for ULAE	597,475	97,684	-	695,159	-	695,159
Accounts payable	901,441	184,917	7,418	1,093,776	-	1,093,776
Due to other funds	46,517	2,611,562	280,158	2,938,237	(2,938,237)	-
Credit program liability	1,659,011	213,809	-	1,872,820	-	1,872,820
Unearned contributions	16,097,127	2,132,782	-	18,229,909	-	18,229,909
Current note payable - MPR campus	-	-	194,937	194,937	(194,937)	-
Total current liabilities	34,488,724	7,462,802	482,513	42,434,039	(3,133,174)	39,300,865
Non-current liabilities:						
Claim reserves	9,306,855	-	-	9,306,855	-	9,306,855
Non-current note payable - MPR campus	-	-	2,339,250	2,339,250	(2,339,250)	-
Total non-current liabilities	9,306,855	-	2,339,250	11,646,105	(2,339,250)	9,306,855
Total liabilities	43,795,579	7,462,802	2,821,763	54,080,144	(5,472,424)	48,607,720
NET ASSETS						
Net assets	27,562,960	1,111,452	3,497,669	32,172,081	(3,351,253)	28,820,828
Total liabilities and net assets	$ 71,358,539	$ 8,574,254	$ 6,319,432	$ 86,252,225	$ (8,823,677)	$ 77,428,548

Midwest Public Risk
Combining Statement of Net Assets by Legal Entity
As of June 30, 2016

ASSETS	MPR of Missouri	MPR of Kansas	MPR Management Fund	Total	Eliminations	Combined
Current assets:						
Cash and cash equivalents	$ 10,169,684	$ 6,171,118	$ 225,496	$ 16,566,298	$ -	$ 16,566,298
Investments - unrestricted	42,686,448	448,822	-	43,135,270	(3,351,253)	39,784,017
Accrued interest	152,893	1,341	-	154,234	-	154,234
Contributions due from members	1,164,894	1,100	-	1,165,994	-	1,165,994
Excess insurance recoverable - paid losses	68,063	1,641	-	69,704	-	69,704
Due from other funds	1,996,768	-	52,388	2,049,156	(2,049,156)	-
Other assets	452,107	75,266	57,926	585,299	-	585,299
Current note receivable - MPR campus	194,937	-	-	194,937	(194,937)	-
Total current assets	56,885,794	6,699,288	335,810	63,920,892	(5,595,346)	58,325,546
Non-current assets:						
Membership deposits	1,176,601	167,149	-	1,343,750	-	1,343,750
Excess insurance recoverable - unpaid losses	3,219,963	-	-	3,219,963	-	3,219,963
Non-current note receivable - MPR campus	2,534,188	-	-	2,534,188	(2,534,188)	-
Capital assets, non-depreciable:						
Land and other non-depreciable assets	-	-	843,201	843,201	-	843,201
Capital assets, depreciable:						
Property and equipment, net of depreciation	-	-	5,259,168	5,259,168	-	5,259,168
Total non-current assets	6,930,752	167,149	6,102,369	13,200,270	(2,534,188)	10,666,082
Total assets	$ 63,816,546	$ 6,866,437	$ 6,438,179	$ 77,121,162	$ (8,129,534)	$ 68,991,628

(Continued)

Midwest Public Risk
Combining Statement of Net Assets by Legal Entity, Continued
As of June 30, 2016

LIABILITIES AND NET ASSETS	MPR of Missouri	MPR of Kansas	MPR Management Fund	Total	Eliminations	Combined
LIABILITIES						
Current liabilities:						
Claim reserves	$ 11,588,258	$ 1,335,117	$ -	$ 12,923,375	$ -	$ 12,923,375
Reserve for ULAE	533,798	80,818	-	614,616	-	614,616
Accounts payable	856,867	162,711	3,669	1,023,247	-	1,023,247
Due to other funds	52,532	1,730,261	266,363	2,049,156	(2,049,156)	-
Credit program liability	1,665,114	191,496	-	1,856,610	-	1,856,610
Unearned contributions	8,996,453	1,608,865	-	10,605,318	-	10,605,318
Current note payable - MPR campus	-	-	194,937	194,937	(194,937)	-
Total current liabilities	23,693,022	5,109,268	464,969	29,267,259	(2,244,093)	27,023,166
Non-current liabilities:						
Claim reserves	8,956,944	-	-	8,956,944	-	8,956,944
Non-current note payable - MPR campus	-	-	2,534,188	2,534,188	(2,534,188)	-
Total non-current liabilities	8,956,944	-	2,534,188	11,491,132	(2,534,188)	8,956,944
Total liabilities	32,649,966	5,109,268	2,999,157	40,758,391	(4,778,281)	35,980,110
NET ASSETS						
Net assets	31,166,580	1,757,169	3,439,022	36,362,771	(3,351,253)	33,011,518
Total liabilities and net assets	$ 63,816,546	$ 6,866,437	$ 6,438,179	$ 77,121,162	$ (8,129,534)	$ 68,991,628

Midwest Public Risk
Combining Statement of Revenues, Expenses, and Changes in Net Assets by Legal Entity
For the Year Ended June 30, 2017

OPERATING REVENUES	MPR of Missouri	MPR of Kansas	MPR Management Fund	Total	Eliminations	Combined
Contributions earned	$ 55,094,102	$ 8,890,974	$ -	$ 63,985,076	$ -	$ 63,985,076
OPERATING EXPENSES (REVENUES)						
Losses and loss adjustment expenses:						
Paid	42,594,732	6,902,200	-	49,496,932	-	49,496,932
Change in reserves	3,395,998	680,515	-	4,076,513	-	4,076,513
Excess insurance premiums	3,933,118	709,676	-	4,642,794	-	4,642,794
Other insurance premiums	24,884	5,092	47,355	77,331	-	77,331
Contribution taxes	699,459	112,021	-	811,480	-	811,480
Claims administration fees	3,009,554	518,354	-	3,527,908	-	3,527,908
Loss prevention	1,031,989	91,301	-	1,123,290	-	1,123,290
General and administrative	4,106,565	549,567	186,089	4,842,221	-	4,842,221
Rent expense (income)	564,816	69,825	(634,641)	-	-	-
Interest expense (income)	(110,681)	-	110,681	-	-	-
Depreciation	-	-	242,498	242,498	-	242,498
Total operating expenses (income)	59,250,434	9,638,551	(48,018)	68,840,967	-	68,840,967
Income (loss) from operations	(4,156,332)	(747,577)	48,018	(4,855,891)	-	(4,855,891)
NON-OPERATING REVENUES (EXPENSES)						
Investment income	534,929	77,616	629	613,174	-	613,174
Net increase in fair value of investments	17,783	24,244	-	42,027	-	42,027
Other non-operating revenue	-	-	10,000	10,000	-	10,000
Total non-operating revenues	552,712	101,860	10,629	665,201	-	665,201
Increase (decrease) in net assets	(3,603,620)	(645,717)	58,647	(4,190,690)	-	(4,190,690)
Net assets, beginning of year	31,166,580	1,757,169	3,439,022	36,362,771	(3,351,253)	33,011,518
Net assets, end of year	$ 27,562,960	$ 1,111,452	$ 3,497,669	$ 32,172,081	$ (3,351,253)	$ 28,820,828

Midwest Public Risk
Combining Statement of Revenues, Expenses, and Changes in Net Assets by Legal Entity
For the Year Ended June 30, 2016

OPERATING REVENUES	MPR of Missouri	MPR of Kansas	MPR Management Fund	Total	Eliminations	Combined
Contributions earned	$ 51,182,059	$ 7,822,015	$ -	$ 59,004,074	$ -	$ 59,004,074
OPERATING EXPENSES (REVENUES)						
Losses and loss adjustment expenses:						
Paid	39,651,706	5,965,614	-	45,617,320	-	45,617,320
Change in reserves	1,568,615	270,362	-	1,838,977	-	1,838,977
Excess insurance premiums	3,556,332	578,051	-	4,134,383	-	4,134,383
Other insurance premiums	25,375	4,594	44,072	74,041	-	74,041
Contribution taxes	764,489	112,354	-	876,843	-	876,843
Claims administration fees	2,584,920	425,372	-	3,010,292	-	3,010,292
Loss prevention	908,938	75,891	-	984,829	-	984,829
General and administrative	3,778,241	449,477	190,287	4,418,005	-	4,418,005
Rent expense (income)	546,884	62,459	(609,343)	-	-	-
Interest expense (income)	(118,912)	-	118,912	-	-	-
Depreciation	-	-	242,031	242,031	-	242,031
Total operating expenses (income)	53,266,588	7,944,174	(14,041)	61,196,721	-	61,196,721
Income (loss) from operations	(2,084,529)	(122,159)	14,041	(2,192,647)	-	(2,192,647)
NON-OPERATING REVENUES (EXPENSES)						
Investment income	741,424	98,417	662	840,503	-	840,503
Net increase in fair value of investments	961,417	124,193	-	1,085,610	-	1,085,610
Total non-operating revenues	1,702,841	222,610	662	1,926,113	-	1,926,113
Increase (decrease) in net assets	(381,688)	100,451	14,703	(266,534)	-	(266,534)
Net assets, beginning of year	31,548,268	1,656,718	3,424,319	36,629,305	(3,351,253)	33,278,052
Net assets, end of year	$ 31,166,580	$ 1,757,169	$ 3,439,022	$ 36,362,771	$ (3,351,253)	$ 33,011,518

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REPORT TO THOSE CHARGED WITH GOVERNANCE

Board of Directors
Midwest Public Risk
Independence, Missouri

We have audited the combined financial statements of Midwest Public Risk, Midwest Public Risk of Missouri (MPR-MO) and Midwest Public Risk of Kansas, Inc. (MPR-KS), collectively known as MPR, for the year ended June 30, 2017, and have issued our report thereon dated November 15, 2017. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by MPR are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by MPR during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of loss reserves is based on individual case estimates for reported claims and an actuarial valuation for incurred but unreported claims, including development of reported claims. We evaluated the key factors and assumptions used to develop the loss reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of loss reserves and claims expense in Note 9 to the financial statements as described above.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MPR's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MPR's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This communication is intended solely for the information and use of management, the Board of Directors, and others within MPR, and is not intended to be, and should not be, used by anyone other than these specified parties.

Conner Ash P.C.

St. Louis, Missouri
November 15, 2017

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of: Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	Change in Fund Balance/ Net Position
WC audit error	F	Error by payroll audit firm	51-1	18,952	-7,672		26,624	27,942	1,318	26,624
MPR WC audit adj	F	Timing	51-2		-12,914		12,914		-12,914	12,914
Reinsurance Rec	J	Same occurrence identification	51-3	-18,500			-18,500		18,500	-18,500
WC audit adj	F	Error by member	51-4	1,434	-4,377		5,811	5,980	169	5,811
Total				1,886	-24,963	0	26,849	33,922	7,073	26,849
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)				1,886	-24,963	0	26,849	33,922	7,073	26,849
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)				1,886	-24,963	0	26,849	33,922	7,073	26,849
Financial statement caption totals				77,428,548	48,607,720		28,820,828	64,650,277	68,840,967	-4,190,690
Current year AD as % of F/S captions (iron curtain method)				0.00%	-0.05%	0.00%	0.09%	0.05%	0.01%	-0.64%
Current and prior year AD as % of F/S captions (rollover method)				0.00%	-0.05%	0.00%	0.09%	0.05%	0.01%	-0.64%

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REPORT ON MATTERS RELATED TO INTERNAL CONTROL

Board of Directors and Management
Midwest Public Risk
Independence, Missouri

In planning and performing our audit of the combined financial statements of Midwest Public Risk, Midwest Public Risk of Missouri (MPR-MO), and Midwest Public Risk of Kansas, Inc. (MPR-KS), collectively known as MPR, as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered MPR's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MPR's internal control. Accordingly, we do not express an opinion on the effectiveness of MPR'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 MPR's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 communication is intended solely for the information and use of management, the Board of Directors, and others within MPR, and is not intended to be, and should not be, used by anyone other than these specified parties.

Conner Ash P.C.

St. Louis, Missouri
November 15, 2017