

FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTAL INFORMATION

Ohio Municipal Joint Self-Insurance Pool

*Years ended December 31, 2006 and 2005 with
Report of Independent Auditors*



Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio Municipal Joint Self Insurance Pool
600 E 96th Street, Suite 425
Indianapolis, IN 46240

We have reviewed the *Report of Independent Auditors* of the Ohio Municipal Joint Self Insurance Pool, prepared by Peters, Browning & Co. P.C., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2007

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Ohio Municipal Joint Self-Insurance Pool

Financial Statements and Required Supplemental Information

Years ended December 31, 2006 and 2005

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Ohio Municipal Joint Self-Insurance Pool Management Discussion and Analysis

This section of the Ohio Municipal Joint Self-Insurance Pool's (the "Pool") audited financial statements contains a discussion and analysis by management of the Pool financial results for the years ending December 31, 2006 and 2005.

	2006	2005
Total assets	\$ 2,331,284	\$ 2,241,661
Losses and loss adjustment expenses payable	1,902,141	1,900,000
Other liabilities	1,228,334	1,557,720
Total liabilities	3,130,475	3,457,720
Accumulated deficit	(799,191)	(1,216,059)
Premium revenues, net of reinsurance ceded	2,724,390	3,060,914
Investment income	43,794	19,103
Total revenues	2,768,184	3,080,017
Losses and loss adjustment expenses, net of reinsurance ceded	1,252,713	2,083,816
Administrative and other expenses	1,098,603	1,178,139
Total expenses	2,351,316	3,261,955
Net change in accumulated deficit	416,868	(181,938)

- The Pool's total assets increased 3%, or \$89,623, to \$2,331,284 in 2006. Cash, cash equivalents and investments decreased 27% or \$403,475 from \$1,487,191 in 2005 to \$1,083,716 in 2006.
- The Pool's net case loss reserves increased in 2006 to \$956,972, as compared to 2005 net case reserves of \$775,483. As a result of expected reported claims in 2006, the Pool decreased its reserve allocation for incurred but not reported (IBNR) claim reserves by \$185,000. The total loss reserves including case and IBNR remained level at approximately \$1.9 million.
- The Pool produced a net profit of \$416,867 in 2006 as compared to a 2005 net loss of \$181,938. The Pool now has posted a net profit four of the past five years, during which the Pool decreased their accumulated deficit by over 60%. The Pool's accumulated deficit has now decreased to \$799,191 from \$1,216,058 in 2005.
- Market conditions continue to soften as property and liability insurance rates fell in 2006. The Pool retained 87% of its total contributions in 2006 as compared to 102% of its contributions as of year-end 2005. Gross written contributions and surplus contributions decreased by nearly 14% in 2006. Roughly half of the lost contributions were from a single account.

- During 2006, the Pool's underwriters achieved a slight increase in rate and exposure changes from renewing members. The member retention rate for 2006 was approximately 86%.

- Pool administration and sales expenses decreased approximately 6.7% in 2006 to \$973,464. This expense increase correlates with the decrease in written contributions. As the Pool's contributions decreased during 2006, the expenses for Pool administration and brokerage dropped correspondingly. The OML received 3% of gross written and surplus contributions for the calendar year.

Report of Independent Auditors

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool

We have audited the accompanying balance sheets of the Ohio Municipal Joint Self-Insurance Pool as of December 31, 2006 and 2005 and the related statements of income and changes in accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Joint Self-Insurance Pool at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 1 and 2 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have performed certain tests of internal control over financial reporting and compliance with laws and regulations, and have issued our report dated February 26, 2007. Our report is an integral part of an audit performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and important for assessing the results of the audit.

Peters, Browning & Co. P.C.

February 26, 2007

Ohio Municipal Joint Self-Insurance Pool

Balance Sheets

	December 31	
	2006	2005
Assets		
Cash and cash equivalents	\$ 903,894	\$ 1,308,599
Investments	179,822	178,592
Member contributions receivable	159,866	204,448
Reinsurance recoverable	742,407	130,342
Deferred acquisition costs	308,043	370,174
Deferred organizational costs	16,320	34,225
Other assets	20,932	15,281
	<hr/>	<hr/>
Total assets	\$ 2,331,284	\$ 2,241,661
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and accumulated deficit		
Losses and loss expenses payable	\$ 1,902,141	\$ 1,900,000
Unearned member contributions	988,416	1,155,991
Administrator, sponsor fees and commissions payable	239,918	396,419
Accounts payable and accrued expenses	-	5,310
Total liabilities	<hr/> 3,130,475	<hr/> 3,457,720
Accumulated deficit	<hr/> (799,191)	<hr/> (1,216,059)
Total liabilities and accumulated deficit	<hr/> \$ 2,331,284	<hr/> \$ 2,241,661
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See accompanying notes.

Ohio Municipal Joint Self-Insurance Pool

Statements of Income and Accumulated Deficit

	Year ended December 31	
	2006	2005
Operating revenues:		
Gross written contributions	\$ 3,217,139	\$ 3,761,688
Member surplus contributions	509,822	591,532
Change in unearned premium	227,153	(69,449)
Reinsurance premiums	(1,183,177)	(1,237,351)
Change in unearned premium ceded	(46,547)	14,494
	<u>2,724,390</u>	<u>3,060,914</u>
Operating expenses:		
Losses and loss adjustment expenses	1,441,883	4,819,144
Ceded losses recovered	(189,170)	(2,735,328)
Administrator, sponsor fees and commissions	973,465	1,044,192
Professional fees	94,189	105,039
Amortization	17,906	17,906
Other expenses	13,043	11,002
	<u>2,351,316</u>	<u>3,261,955</u>
Operating income (loss)	373,074	(201,041)
Non-operating revenues:		
Investment income	42,053	19,427
Net income (loss)	<u>415,127</u>	<u>(181,614)</u>
Change in unrealized gains	1,741	(324)
Accumulated deficit beginning of year	<u>(1,216,059)</u>	<u>(1,034,121)</u>
Accumulated deficit end of year	<u>\$ (799,191)</u>	<u>\$ (1,216,059)</u>

See accompanying notes.

Ohio Municipal Joint Self-Insurance Pool

Statements of Cash Flows

	Year ended December 31	
	2006	2005
Operating activities		
Member and surplus contributions received	\$ 3,784,301	\$ 4,843,611
Reinsurance premiums paid	(1,801,425)	(1,223,968)
Loss and allocated expense paid, net of deductibles collected	(1,750,103)	(4,810,384)
Reinsurance, salvage and subrogation recoveries received	493,763	3,018,472
Administrator, sponsor fees and commissions paid	(1,067,833)	(947,768)
Professional fees paid	(102,936)	(122,210)
Investment income	42,053	19,427
Other expenses paid	(3,037)	(5,617)
Net cash provided (used) by operating activities	<u>(405,217)</u>	<u>771,563</u>
Investing activities		
Sales and maturities of investments	533,922	717,668
Purchases of investments	(533,410)	(716,804)
Net cash provided (used) by investing activities	<u>512</u>	<u>864</u>
Net increase (decrease) in cash and cash equivalents	<u>(404,705)</u>	<u>772,427</u>
Cash and cash equivalents at beginning of the year	<u>1,308,599</u>	<u>536,172</u>
Cash and cash equivalents at end of the year	<u>\$ 903,894</u>	<u>\$ 1,308,599</u>
Reconciliation of net income to net cash provided (used) by operating activities:		
Net income (loss)	\$ 415,127	\$ (181,614)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		
Amortization	17,906	17,906
Changes in operating assets and liabilities:		
Member contributions receivable	44,582	528,868
Reinsurance recoverable	(612,065)	18,458
Deferred acquisition costs	62,131	(25,058)
Other assets	(5,651)	298,582
Losses and loss expenses payable	2,141	(6,678)
Unearned member contributions	(167,575)	16,478
Administrator, sponsor fees and commissions payable	(156,503)	121,482
Accounts payable and accrued expenses	(5,310)	(16,861)
Net cash provided (used) by operating activities	<u>\$ (405,217)</u>	<u>\$ 771,563</u>

See accompanying notes.

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

December 31, 2006

1. Organization and Significant Accounting Policies

Organization

The Ohio Municipal Joint Self-Insurance Pool (the "Pool") is an unincorporated nonprofit association which provides a program of property and casualty self-insurance for its member organizations. Membership is restricted to municipal corporations and their instrumentalities in the State of Ohio. Under the terms of the membership agreement, members are subject to a supplemental assessment or a refund, depending on the Pool's underwriting results for each coverage year.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") effective on or before November 1989, provided that they do not conflict or contradict Government Accounting Standards Board ("GASB") Statement No. 20 *Accounting and Reporting for Financial Reporting for Proprietary Fund Accounting*.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less when purchased are classified as cash and cash equivalents and are stated at cost, which approximates market.

Investments

The aggregate investments in debt and equity securities are reported at fair value with the unrealized gains or losses reported as a component of surplus in the accompanying statements of income and accumulated deficit. Interest earned on investments is reported as a component of non-operating revenue.

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Deferred Acquisition and Organizational Costs

Policy acquisition costs, primarily commissions paid to brokers and management fees paid to the administrator (see Note 2), are deferred and amortized over the life of the policy, generally one year.

The Pool incurred organizational costs in connection with the creation of the Pool. These costs have been capitalized and are being amortized over 20 years, using the straight-line basis. Accumulated amortization was \$388,142 and \$370,236 at December 31, 2006 and 2005, respectively.

Losses and Loss Adjustment Expenses Payable

The liabilities for losses and loss adjustment expenses and incurred but not reported claims are estimated based on historical information and claim experience, and represent management's best estimate of the ultimate cost of claims. Because the ultimate claim costs can be affected by factors such as inflation, legal settlements and damage awards, the estimation process includes considerable variability. Management believes that the recorded liabilities are adequate. The estimates are continually reviewed and updated as experience develops or new information becomes known; such adjustments are reflected in current operations.

Revenue Recognition

Members are charged a contribution for the insurance coverage(s) provided by the Pool, which is recognized as revenue at the effective date of the policy. Policies are billed on an annual basis. The amount of the contribution is dependent on underwriting factors such as past claim experience, rating and market and competitive factors. In addition to the written contribution, a surplus contribution is charged to the member and included in the annual billing. In certain situations, members may elect to make a three-year prepaid surplus contribution. Prepaid surplus contributions were \$60,714 and \$47,683 at December 31, 2006 and 2005, respectively, and are included with unearned member contributions in the accompanying balance sheets.

Unearned Member Contributions

Unearned member contributions represent the portion of the annual contributions billed on the effective date of one-year policies that have not been earned over the life of the policy, and are reported net of reinsurance ceded.

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Concentrations of Credit Risk

Deposits at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006, the Pool's uninsured cash and investment balances totaled \$803,894.

Income Taxes

The Internal Revenue Service ("IRC") has determined that the Pool is performing an essential governmental function within the provisions of IRC Section 115 and while the Pool must file a tax return as an unincorporated association, the Pool qualifies as a non-taxable entity.

2. Administrative Services Agreement

The Pool has outsourced its administrative functions to JWF Specialty, Inc. ("JWF"), a third party administrator located in Indiana, under a service agreement effective June 2001 and renewable yearly through June 2007. In accordance with the agreement, JWF performs all policy management, underwriting, billing, claims management and payment functions and financial management for the Pool, and is paid a fee based on a percentage of written contribution earned. Fees paid to JWF totaled \$440,358 and \$515,565 for 2006 and 2005, respectively.

3. Investments

The following is a summary of investments at December 31:

	2006		2005	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Bill, due January 2007	\$ 177,757	\$ 179,822	\$ 178,592	\$ 178,268

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

4. Losses and Loss Adjustment Expenses Payable

The following table provides a reconciliation of the beginning and ending balances of the liability for losses and loss adjustment expenses:

	Year ended December 31	
	2006	2005
Balances at January 1	\$ 1,900,000	\$ 1,906,678
Losses incurred related to:		
Current year	1,133,000	1,237,531
Prior years	119,713	846,285
Total losses incurred	1,252,713	2,083,816
Paid related to:		
Current year	301,512	256,435
Prior years	949,060	1,834,059
Total paid	1,250,572	2,090,494
Balance at December 31	\$ 1,902,141	\$ 1,900,000

Losses incurred related to prior years varies from previously estimated liabilities as the claims are ultimately settled. The changes in amounts incurred related to prior years are the result of adverse development of settled and open claims.

Losses and loss adjustment expenses payable include a reserve credit for policy deductible amounts billed to the insured. Reserve credits taken for these deductible amounts at December 31 are as follows:

	2006	2005
Deductibles receivable	\$ 92,791	\$ 78,965
Deductibles recoverable	237,443	240,986
	\$ 330,234	\$ 319,951

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

5. Reinsurance

The Pool cedes portions of its gross contribution earned to certain reinsurers under excess reinsurance agreements in order to limit its losses. Treaty basis excess of loss contracts in force protect the Pool against losses over the retention level; at December 31, 2006, retention levels are \$200,000 for policies issued beginning April 1, 2005, \$175,000 for policies issued beginning April 1, 2003, \$125,000 for policies issued beginning April 1, 2002 and \$100,000 for policies issued beginning April 1, 2000.

The effect of ceded reinsurance on certain assets, liabilities, contributions earned and losses paid at December 31 is as follows:

	2006	2005
Reinsurance premiums paid	\$ 1,183,177	\$ 1,237,351
Unearned member contributions	277,311	323,858
Losses and loss expenses receivable	227,827	174,058
Losses and loss expenses recoverable	261,075	600,956
Losses and loss expenses paid	189,170	2,735,328

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

Required Supplemental Information

**Report of Independent Auditors on
Required Supplemental Information**

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental claims development information is presented to comply with the Government Auditing Standards Board Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Peters, Browning & Co. P.C.

February 26, 2007

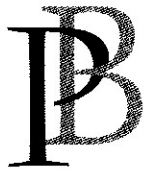
Ohio Municipal Joint Self-Insurance Pool

Schedule of Claims Development Information

Years Ended December 31

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross written premium	3,972,077	4,258,708	4,215,343	3,073,910	3,169,906	3,326,850	3,807,173	3,644,655	3,761,688	3,217,139
Earned revenue less ceded	4,770,835 (1,302,462)	5,069,570 (1,321,081)	4,801,097 (1,245,684)	4,007,758 (1,113,439)	3,198,012 (1,058,844)	3,974,169 (1,555,809)	4,285,399 (1,359,132)	4,350,027 (870,170)	4,302,874 (1,222,857)	3,997,908 (1,229,724)
Net earned	3,468,373	3,748,489	3,555,413	2,894,319	2,139,168	2,418,360	2,926,267	3,479,857	3,080,017	2,768,184
Non-claim expenses	1,317,609	1,198,618	1,256,584	1,144,182	959,074	1,080,899	1,138,677	1,098,568	1,178,139	1,098,603
Paid losses and loss adjustment expenses (cumulative) as of:										
End of policy year	601,496	824,059	629,101	529,137	380,521	540,822	516,398	350,663	261,280	301,512
End of first year	1,160,431	1,454,365	1,664,080	851,097	466,916	1,002,509	909,990	837,237	504,319	
End of second year	1,758,033	2,338,007	2,501,733	1,402,736	696,073	1,423,850	1,233,995	1,177,616		
End of third year	2,163,131	3,022,775	3,126,445	1,656,137	885,332	1,916,224	1,602,973			
End of fourth year	2,460,902	3,430,930	3,590,547	1,685,393	996,325	2,006,572				
End of fifth year	2,480,247	3,874,153	3,640,531	1,873,025	1,003,677					
End of sixth year	2,478,917	4,111,648	3,694,011	1,881,892						
End of seventh year	2,506,341	4,219,320	3,695,299							
End of eighth year	2,556,231	4,224,568								
End of ninth year	2,556,231									
Re-estimated ceded claims and expenses	267,840	506,545	1,613,831	393,613	512,593	928,273	66,219	-	-	-
Incurred loss and loss adjustment expenses:										
End of policy year	736,638	898,700	907,545	673,337	625,815	1,093,747	951,758	723,833	690,889	587,713
End of first year	1,193,371	1,595,923	2,007,272	1,196,415	699,010	1,528,013	1,228,502	1,108,473	1,029,954	
End of second year	1,920,315	2,958,639	3,284,236	1,677,848	938,021	1,908,968	1,617,725	1,543,796		
End of third year	2,317,920	3,782,235	3,600,691	1,811,541	974,804	2,042,818	1,774,158			
End of fourth year	2,529,313	3,947,232	3,724,069	1,796,965	1,016,261	2,116,469				
End of fifth year	2,498,337	4,066,814	3,732,987	1,876,378	1,012,605					
End of sixth year	2,505,050	4,176,519	3,694,011	1,931,064						
End of seventh year	2,556,231	4,261,519	3,729,011							
End of eighth year	2,556,231	4,260,834								
End of ninth year	2,556,231									
Increase in estimated incurred loss and loss adjustment expenses from end of policy year	1,819,593	3,362,819	2,786,466	1,203,041	390,446	949,071	665,967	384,640	-	-

See accompanying independent auditors report on other financial information.



Peters, Browning & Co., P.C.
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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool

We have audited the financial statements of the Ohio Municipal Joint Self-Insurance Pool as of and for the year ended December 31, 2006, and have issued our report thereon dated February 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

In planning and performing our audit, we considered the Ohio Municipal Joint Self-Insurance Pool's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the board of trustees, management, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Peters, Browning & Co. P.C.

February 26, 2007



Mary Taylor, CPA
Auditor of State

**OHIO MUNICIPAL JOINT SELF INSURANCE POOL
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 5, 2007**