Ohio Township Association Risk Management Authority

Financial Report

with Required Supplemental Schedules

December 31, 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Ohio Township Association Risk Management Authority
C/O American Risk Pool Consultants
29621 Northwestern Hwy
P. O. Box 5088
Southfield, MI 48086

We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2007 through December 31, 2007. 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 Township Association Risk Management Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 10, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Ohio Township Association Risk Management Authority

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Assets	7
Statement of Revenue, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9-10
Notes to Financial Statements	11-20
Required Supplemental Schedules	21
Casualty Claims Development Information	22
Property Claims Development Information	23
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*	24-26

This Page is Intentionally Left Blank.

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Ohio Township Association Risk
Management Authority

We have audited the accompanying financial statements of the business-type activities of the Ohio Township Association Risk Management Authority (the "Pool") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Pool's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Ohio Township Association Risk Management Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 respective financial position of Ohio Township Association Risk Management Authority at December 31, 2007 and 2006 and the respective changes in its financial position, including cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, casualty claims development information, and property claims development information, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Ohio Township Association Risk
Management Authority

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Ohio Township Association Risk Management Authority's basic financial statements. The accompanying casualty claims development information and property claims development information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2008 on our consideration of Ohio Township Association Risk Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

May 19, 2008

Using this Annual Report

This annual report consists of the statement of net assets, the statement of revenue, expenses, changes in net assets, and the statement of cash flows. Along with the notes to financial statements, they provide detailed financial information concerning Ohio Township Association Risk Management Authority (the "Pool"). This section, the management's discussion and analysis, is intended to provide an overview of the Pool's financial condition, result of operations, and other key information. In analyzing the Pool's financial position, it is important to recognize the mission of the Pool. From a financial perspective, the Pool's general objective is to manage and fund third-party liability claims, as well as first-party property claims.

Financial Highlights

The Pool's net assets as of December 31, 2007 and 2006 total $29,852,866 and $29,921,614, respectively. This represents a decrease of $68,748, or 0.2 percent, from 2006 to 2007. The decrease in net assets results from operating income of $1,943,580, member capitalization contributions of $402,559, less member distributions of $2,414,887 (see Note 7). The Pool maintains a member annual contribution to net assets ratio of 0.33:1 at December 31, 2007 and 2006. Annual premiums written to surplus ratio is a commonly used insurance industry benchmark. A ratio of less than 1:1 is considered very good. The Pool's member contributions are equivalent to industry premiums written and net assets are equivalent to surplus.

Total member contributions - operating increased 2.0 percent, or $246,791, to $12,340,742 in 2007 from $12,093,951 in 2006. There was an increase in total revenue in 2007 of $1,833,505, or 16.9 percent, to $12,654,676 in 2007, from $10,821,171 in 2006. This was primarily due to an increase in contributions that will be billed in the future to pay unpaid claims of $1,596,789. This represents amounts due from members which have not been billed to members and will be billed and collected from the existing members in the future when the estimated incurred claims, loss adjustment expenses, and related administrative expenses for each policy year are anticipated to be paid. There was also an increase in investment earnings and net gains on investments of $295,579, an increase of $305,654 in reinsurance premiums ceded, and an increase in member contributions - operating as noted above.

Member contributions - operating are derived from member contributions for risk-sharing protection, and are estimated and recognized using a variety of actuarial and statistical techniques. These contributions reflect the amount contributed by members for payment of incurred claims, claim adjustment expenses, and related administrative expenses for each policy year. In addition, members, as further detailed in Note 1 (pages 11 to 13) to the basic financial statements, are required to provide capitalization contributions for the establishment of a Cumulative Reserve Fund as detailed in the contract between each member and the Pool. These contributions are reflected separately in the statement of revenue, expenses, and changes in net assets and totaled $402,559 and $553,138 for the years ended December 31, 2007 and 2006, respectively.

Financial Highlights (Continued)

The claims and claim adjustment expense reserves increased 11.2 percent, or $1,264,400, to $12,547,523 in 2007, to $11,283,123 in 2006. General and administrative expenses increased 1.0 percent, or $43,919, to $4,336,473 in 2007 from $4,292,554 in 2006.

Financial Overview

Approximately 68.8 percent in 2007, 70.0 percent in 2006, and 65.3 percent in 2005 of the assets consist of cash, cash equivalents, and investments. Approximately 93.9 percent in 2007, 93.1 percent in 2006, and 89.2 percent in 2005 of total liabilities consist of reserves for claims.

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

	2007	2006	2005
Assets			
Cash and cash equivalents	$ 1,917,120	$ 2,018,823	$ 1,676,065
Investment securities, at fair value	27,818,074	27,420,669	24,206,374
Member contributions to be billed in the future	11,648,087	10,839,224	11,627,150
Other assets	1,827,422	1,763,559	2,153,845
Total assets	**$ 43,210,703**	**$ 42,042,275**	**$ 39,663,434**
Liabilities			
Claims and claim adjustment expense reserves	$ 12,547,523	$ 11,283,123	$ 12,265,954
Unearned premium reserves	275,795	423,542	588,401
Other liabilities	534,519	413,996	896,252
Total liabilities	13,357,837	12,120,661	13,750,607
Net Assets - Unrestricted	29,852,866	29,921,614	25,912,827
Total liabilities and net assets	**$ 43,210,703**	**$ 42,042,275**	**$ 39,663,434**

Financial Overview (Continued)

Claims and claim adjustment expense reserves represent an estimate of the ultimate cost of claims, including claims that have been reported but not settled and of claims that have been incurred but not reported. Claim payments and reserves can change significantly from period to period because the ultimate amount paid for claims is dependent on the frequency of claims as well as other events, such as jury decisions, court interpretations, and legislative changes. The reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim reserves are charged to expense in the periods in which they are made.

To reduce the Pool's exposure to large specific property and casualty claims, the Pool maintains excess claim contracts to recover specified property and casualty claim losses in excess of Pool retention in the contract.

Financial Overview (Continued)

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

	2007	2006	2005
Revenue			
Member contributions - Operating	$ 12,340,742	$ 12,093,951	$ 11,660,419
Reinsurance premiums ceded	(2,498,023)	(2,192,369)	(2,291,945)
Contributions that will be billed in the future to pay unpaid claims	808,863	(787,926)	1,323,414
Investment earnings - Interest and dividends	1,284,388	1,087,447	684,153
Net realized and unrealized gains and losses on investments	718,706	620,068	(46,476)
Total revenue	12,654,676	10,821,171	11,329,565
Expenses			
Provision for claims	6,374,623	2,986,997	5,828,190
Operating expenses	4,336,473	4,292,554	4,188,408
Total expenses	10,711,096	7,279,551	10,016,598
Excess of Revenue Over Expenses	1,943,580	3,541,620	1,312,967
Member Distributions - Capitalization	(2,414,887)	(85,971)	(79,119)
Contributions - Capitalization - Cumulative Reserve Fund	402,559	553,138	587,571
(Decrease) Increase in Net Assets	**$ (68,748)**	**$ 4,008,787**	**$ 1,821,419**

Statement of Net Assets

	December 31 2007	December 31 2006
Assets		
Current Assets		
Cash and cash equivalents (Note 3)	$ 1,917,120	$ 2,018,823
Claims servicer imprest fund	53,582	(8,435)
Member contributions receivable	864,358	922,708
Investment securities (Note 3)	8,362,090	7,873,293
Accrued investment income	349,235	392,330
Deductibles recoverable	22,374	5,500
Reinsurance receivable on paid claims (Note 5)	342,775	256,358
Claims escrow fund	195,098	195,098
Member contributions to be billed in the future	2,500,000	3,500,000
Total current assets	14,606,632	15,155,675
Investment Securities - Net of current portion (Note 3)	19,455,984	19,547,376
Member Contributions to be Billed in the Future	9,148,087	7,339,224
Total assets	**$ 43,210,703**	**$ 42,042,275**
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Claims and claim adjustment expense reserves (Note 4)	$ 3,399,436	$ 3,943,899
Reinsurance premiums payable (Note 5)	70,843	68,958
Accounts payable and accrued expenses	463,676	345,038
Total current liabilities	3,933,955	4,357,895
Long-term liabilities:		
Claims and claim adjustment expense reserves (Note 4)	9,148,087	7,339,224
Unearned premium reserves	275,795	423,542
Total liabilities	13,357,837	12,120,661
Net Assets - Unrestricted	29,852,866	29,921,614
Total liabilities and net assets	**$ 43,210,703**	**$ 42,042,275**

See Notes to Financial Statements.

Ohio Township Association Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2007	2006
Revenue		
Member contributions - Operating	$ 12,340,742	$ 12,093,951
Reinsurance premiums ceded (Note 5)	(2,498,023)	(2,192,369)
Contributions that will be billed in the future to pay unpaid claims	808,863	(787,926)
Investment earnings - Interest and dividends	1,284,388	1,087,447
Net realized and unrealized gains on investments	718,706	620,068
Total revenue	12,654,676	10,821,171
Claims and Claim Adjustment Expenses (Note 4)		
Paid	5,677,445	5,478,186
Recoveries	(1,509,127)	(1,538,430)
Increase (decrease) in claims and claim adjustment expense reserves	2,206,305	(952,759)
Total claims and claim adjustment expenses	6,374,623	2,986,997
Excess of Revenue Over Claims and Claim Adjustment Expenses	6,280,053	7,834,174
Expenses		
Marketing and administrator fees	3,523,797	3,510,385
Other	812,676	782,169
Total expenses	4,336,473	4,292,554
Excess of Revenue Over Claims and Claim Adjustment Expenses and Expenses	1,943,580	3,541,620
Member Distributions		
Capitalization (Note 6)	(159,809)	(85,971)
Budgetary (Note 7)	(2,255,078)	-
Total member distributions	(2,414,887)	(85,971)
Contributions - Capitalization - Cumulative Reserve Fund	402,559	553,138
(Decrease) Increase in Net Assets	(68,748)	4,008,787
Net Assets - Beginning of year	29,921,614	25,912,827
Net Assets - End of year	**$ 29,852,866**	**$ 29,921,614**

See Notes to Financial Statements.

Ohio Township Association Risk Management Authority

Statement of Cash Flows

	Year Ended December 31	
	2007	2006
Cash Flows from Operating Activities		
Cash received from members	$ 12,394,384	$ 12,053,277
Cash received from excess insurance carriers	1,509,127	1,538,430
Cash paid for claims	(6,698,241)	(5,421,847)
Cash paid for reinsurance premiums	(2,582,555)	(2,172,687)
Cash paid for administrative and general expenses	(4,217,835)	(4,309,265)
Net cash provided by operating activities	404,880	1,687,908
Cash Flows from Investing Activities		
Investment income received	1,327,483	943,506
Purchase of investments	(12,715,856)	(22,249,406)
Proceeds from sales and maturities of investments	13,037,157	19,655,179
Net cash provided by (used in) investing activites	1,648,784	(1,650,721)
Cash Flows from Noncapital Financing Activities		
Receipts from members - Cumulative Reserve Fund	259,520	391,542
Payments for member withdrawals - Capitalization	(159,809)	(85,971)
Payments for member distributions - Budgetary	(2,255,078)	-
Net cash (used in) provided by noncapital financing activities	(2,155,367)	305,571
Net (Decrease) Increase in Cash and Cash Equivalents	(101,703)	342,758
Cash and Cash Equivalents - Beginning of year	2,018,823	1,676,065
Cash and Cash Equivalents - End of year	**$ 1,917,120**	**$ 2,018,823**

See Notes to Financial Statements.

A reconciliation of excess of revenue over claims and claim adjustment expenses and expenses to net cash from operating activities is as follows:

	Year Ended December 31	
	2007	2006
Excess of revenue over claims and claim adjustment expenses and expenses	$ 1,943,580	$ 3,541,620
Adjustments to reconcile excess of revenue over claims and claim adjustment expenses and expenses to net cash from operating activities:		
Investment earnings	(1,284,388)	(1,087,447)
Net realized and unrealized gains on investments	(718,706)	(620,068)
(Increase) decrease in assets:		
Claims servicer imprest fund	(62,017)	49,112
Member contributions receivable	53,642	(40,674)
Deductibles recoverable	(16,874)	37,299
Reinsurance receivable on paid claims	(86,417)	78,439
Member contributions to be billed in the future	(808,863)	787,926
Increase (decrease) in liabilities:		
Claims and claim adjustment expense reserves	1,264,400	(982,831)
Reinsurance premiums payable	1,885	(58,757)
Accounts payable and accrued expenses	118,638	(16,711)
Net cash provided by operating activities	**$ 404,880**	**$ 1,687,908**

Note 1 - Description of the Organization

Ohio Township Association Risk Management Authority (the "Pool") was created in March 1987 and organized under the laws of the State of Ohio as a governmental group property and casualty self-insurance pool. A total of 950 townships within the state of Ohio participate in the Pool. The Pool was formed for the primary purpose of managing third-party liability claims against its members. Members agree to continue membership for a period of not less than one full year. At the conclusion of such period, or anniversary thereof, a member who has given 60 days' prior written notice to the Pool may withdraw. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of Pool membership may receive a partial refund of their capitalization contributions described below. The amounts of such refunds are defined by contract and correspond to the length of their membership.

American Risk Pooling Consultants, Inc. (ARPCO) functions as the administrator of the Pool. The duties of the administrator are defined in an administrative agreement between ARPCO and the Pool and generally include those powers and duties necessary and incident to managing the operations of the Pool. Pursuant to an agreement between ARPCO and Burnham and Flower Agency of Ohio, Inc. (BFA), BFA provides marketing, underwriting, billing, and collection services. The Ohio Township Association (OTA) supports and promotes the Pool. Public Entity Risk Services of Ohio (PERSO) and Crawford and Company (Crawford) provide claim services. PERSO is an affiliate of ARPCO through common ownership. KLA Consulting (KLA) provides loss control services. ARPCO, BFA, and OTA are compensated by contract for their respective services based on percentages of the members' casualty basis rates and casualty excess and property contributions. PERSO, Crawford, and KLA are compensated on a time and expense basis.

Note 1 - Description of the Organization (Continued)

The Pool provides the following self-insurance programs for public entities:

Casualty

Members' casualty contributions to the Pool fund current operations and provide additional capital as defined by contract. Annual operating contributions are those amounts necessary to fund the Pool's general and administrative expenses, claims and claims expenses, and reinsurance expenses due and payable in the current year, plus any deficiency in the required capitalization contributions. Each member is required to provide capitalization contributions for the establishment of a Cumulative Reserve Fund. Capitalization contributions are payable to the Pool in six annual installments as detailed below:

	Percent of Basis Rate
Initial contributions	100
First anniversary	75
Second anniversary	50
Third anniversary	30
Fourth anniversary	25
Fifth anniversary	20

Subsequent to the fifth anniversary, additional capitalization contributions will be required only if the Pool's board of directors determines that such contributions are necessary to maintain capital equal to 300 percent of the total current members' basis rate, or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

Basis rate is that amount annually promulgated by the administrator of the Pool deemed necessary to provide the scope of coverage afforded to a member for the period of one year, with due consideration to the member's individual risk characteristics.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of casualty claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total net assets plus any reinsurance and excess risk-sharing recoveries (see Note 5), then payment of such claims shall be the obligation of the respective individual member.

Note 1 - Description of the Organization (Continued)

Property

The Pool also provides various property coverages, which are common to public entities. Members' property contributions to the Pool consist of those amounts necessary to fund the Pool's general and administrative expenses, reinsurance expenses due and payable in the current year, claims and claims expenses for property risks, plus all or any portion of any deficiencies which may occur in the Property Cumulative Reserve Fund, and the Pool's obligation to satisfy the requirements of any regulatory authority. For the period from April 1, 1997 through December 31, 2004, the Pool participated in a nonrisk-sharing property program established by American Public Entity Excess Pool (APEEP). Effective January 1, 2005, this program was replaced by a new risk-sharing program also established by APEEP (see Note 5).

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Pool prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) and predecessor boards' pronouncements issued on or before November 30, 1989, and all FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Member Contributions - Member contributions are recognized under the accrual method of accounting and follow the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Member contributions are estimated and recognized using a variety of actuarial and statistical techniques and reflect the amount to be contributed by members for payment of incurred claims, claim adjustment expenses, and related administrative expenses for each policy year. Member contributions to be billed in the future represent amounts due from members which have not been billed to members and will be billed and collected, from the existing members, in the future when the estimated incurred claims, loss adjustment expenses, and related administrative expenses for each policy year are anticipated to be paid.

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

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

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

Note 3 - Deposits and Investments

The Pool's investment policy authorizes the Pool to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Ohio.

The Pool designated JP Morgan Chase for the deposit of its funds.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses and, as a result, generally requires balances that exceed the FDIC insurance limits of $100,000. At December 31, 2007, the Pool's deposit balance of $298,064 had bank deposits (checking and savings accounts) of $198,064 that were uninsured and uncollateralized. At December 31, 2006, the Pool's deposit balance of $1,809,987 had bank deposits (checking and savings accounts) of $1,709,987 that were uninsured and uncollateralized. The Pool believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Pool's investment policy does not restrict investment maturities. The Pool's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Pool's cash requirements.

At December 31, 2007, the average maturities of investments are as follows:

Investment Type	Fair Value	Weight Average Maturity (Years)
U.S. Treasury securities	$ 2,865,788	1.05
U.S. agencies and pass-throughs	23,490,647	3.01
Total fair value	$ 26,356,435	
Portfolio weighted average maturity		2.80

Note 3 - Deposits and Investments (Continued)

At December 31, 2006, the average maturities of investments are as follows:

Investment Type	Fair Value	Weight Average Maturity (Years)
U.S. Treasury securities	$ 2,579,790	1.26
U.S. agencies and pass-throughs	23,334,627	3.29
Total fair value	$ 25,914,417	
Portfolio weighted average maturity		3.09

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations. In accordance with the Pool's investment policy, the Pool may invest in U.S. government securities and certain equities. At December 31, 2007 and 2006, the Pool only held investments in U.S. government securities.

Concentration of Credit Risk - The Pool has four U.S. agencies and pass-through investments, totaling $13,866,457, that individually exceed 5 percent of the Pool's total investments at December 31, 2007. The Pool had four U.S. agencies and pass-through investments, totaling $16,451,690, that individually exceeded 5 percent of the Pool's total investments at December 31, 2006.

Note 4 - Claims and Claim Adjustment Expense Reserves

The Pool establishes claim reserves based upon estimates of the ultimate cost of claims, including future claim adjustment expenses related to claims that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the type of coverage involved.

Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim reserves are charged to expense in the periods in which they are made.

Note 4 - Claims and Claim Adjustment Expense Reserves (Continued)

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 claim liabilities does not necessarily result in an exact amount, particularly for coverage such as third-party liability. While management believes that the reserves for claims and claim adjustment expenses make a reasonable provision to cover the ultimate claims, such estimates may be more or less than the amounts ultimately paid when the claims are settled, because of the inherent uncertainty of the evaluation process.

The following summarizes changes in casualty and property liabilities for the years ended December 31, 2007 and 2006:

	2007	2006
Claims and Claim Adjustment Expense		
Reserves - Beginning of year	$ 11,283,123	$ 12,265,954
Change in reinsurance recoverable	(941,905)	(30,072)
Net claims and claim adjustment expense reserves - Beginning of year	10,341,218	12,235,882
Incurred Claims and Claim Adjustment Expenses		
Provision for claims incurred in current year	7,991,545	6,025,812
Decrease in provision for claims incurred in prior years	(1,616,922)	(3,038,815)
Total incurred claims and claim adjustment expenses	6,374,623	2,986,997
Payments		
Claims and claims expenses paid for claims incurred in current year	(2,081,600)	(1,798,411)
Claims and claims expenses paid for claims incurred in prior years	(2,086,718)	(2,141,345)
Total payments	(4,168,318)	(3,939,756)
Claims and Claim Adjustment Expense		
Reserves - End of year	$ 12,547,523	$ 11,283,123

Note 5 - Reinsurance and Excess Risk-sharing Agreements

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements.

The Pool is a member of APEEP, which is also administered by ARPCO. APEEP provides a casualty excess risk-sharing pooling arrangement and provides an excess risk-sharing property program for its member pools (the "Members"), all of which are public entity group risk-sharing pools similar in nature to the Pool. The Pool makes annual casualty and property operating and casualty capitalization contributions to APEEP.

Casualty

The Pool contributes 9 percent per year of its annual basis rate to APEEP as a capitalization contribution until total contributions reach 35 percent of the Pool's annual basis rate, then 5 percent per year of its annual basis rate until total contributions reach 50 percent of the Pool's annual basis rate. Once a member pool reaches the initial requirement for establishing its Cumulative Reserve Fund at 50 percent of its current basis rate, future annual contributions will be limited to 20 percent of the difference between the increase in 50 percent of the member pool's current annual basis rate and its respective balance in its Cumulative Reserve Fund. If 50 percent of the current annual basis rate is less than the balance in the Cumulative Reserve Fund, APEEP will reimburse the difference to the Pool. The Pool contributed 1.80 percent of its basis rate in 2007 and 2.70 percent in 2006. In the event APEEP's Cumulative Reserve Fund is exhausted, the Pool is required to contribute up to 40 percent of its then-existing balance of cumulative capitalization contributions, including investment earnings thereon, to cure such deficit. At December 31, 2007, the maximum such contribution approximates $5,882,000 and has not been reflected in the accompanying financial statements.

Note 5 - Reinsurance and Excess Risk-sharing Agreements (Continued)

For an occurrence prior to January 1, 2006, the Pool retains casualty risks up to $250,000 per occurrence, including loss adjustment expenses. Claims exceeding $250,000 are reinsured with APEEP in an amount not to exceed $1,750,000 for each claim and $10,000,000 in aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risks up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in aggregate per year. For members requiring specific excess coverage from $2,000,000 to $12,000,000 for claims that occurred prior to January 1, 2006 or from $3,000,000 to $13,000,000 for claims occurring on or after January 1, 2006, such excess coverage is reinsured with General Reinsurance Corporation through contracts with the Pool. In the event a series of retained claims exhausts the Pool's total funds available to pay loss within the Pool's retention, APEEP provides "excess of funds available" coverage up to $5,000,000, subject to the annual aggregate limit of $10,000,000. Premiums ceded to reinsurance carriers during the years ended December 31, 2007 and 2006 for casualty risks totaled $1,498,468 and $1,218,794, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2007 and 2006 for reinsurance totaled approximately $4,610,000 and $3,617,000, respectively.

Property

On January 1, 2005, APEEP established a risk-sharing property program. Under the new program, Travelers will reinsure specific losses in excess of $250,000 up to $600,000,000 per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP will reinsure members for specific losses in excess of $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP will reinsure members for specific losses in excess of $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value (TIV). If the stop-loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will then reinsure specific losses in excess of $100,000 up to their $600,000,000 per occurrence limit. The aggregate stop-loss limit for 2007 and 2006 was $2,014,548 and $1,901,127, respectively. Premiums ceded to reinsurance carriers during the years ended December 31, 2007 and 2006 for property risks totaled $999,555 and $973,575, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2007 and 2006 for reinsurance totaled approximately $1,033,000 and $91,000, respectively.

Note 6 - Member Withdrawals - Capitalization

Fifteen members withdrew from the Pool in 2007, while 10 members withdrew in 2006. In accordance with the intergovernmental contract, these withdrawals resulted in transfers to operations of $102,315 in 2007 and $50,788 in 2006, as well as refunds of $57,494 in 2007 and $35,183 in 2006. Upon withdrawal, these members became responsible for all of their respective unpaid casualty claims, both reported and unreported.

Note 7 - Member Distributions - Budgetary

Cash distributions to members of approximately $2,000,000 per year were approved by the board of directors for the years ended or ending December 31, 2007 through December 31, 2009. For the year ended December 31, 2007, cash distributions returned to the members totaled $2,255,078.

Required Supplemental Schedules

Casualty Claims Development Information

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Required contributions (Note A) and investment income:										
Earned	$ 4,122,841	$ 4,325,387	$ 4,342,702	$ 5,308,407	$ 4,837,529	$ 7,691,422	$ 7,201,336	$ 8,169,181	$ 8,248,042	$ 8,576,321
Ceded	421,781	403,619	377,157	608,940	841,052	769,813	664,887	824,487	697,694	1,091,475
Net	3,701,060	3,921,768	3,965,545	4,699,467	3,996,477	6,921,609	6,536,449	7,344,694	7,550,348	7,484,846
2. Expenses other than allocated claim adjustment expenses	991,045	1,172,719	1,264,572	1,413,275	1,596,849	1,820,586	1,952,051	2,031,927	2,072,105	2,014,329
3. Estimated claims and allocated claim adjustment expenses, end of policy year:										
Incurred	2,463,978	2,397,834	2,132,296	2,899,971	2,798,870	3,979,713	5,015,109	5,070,171	4,518,977	5,261,308
Ceded	307,466	254,956	264,035	395,861	579,747	472,609	524,939	448,888	427,789	796,650
Net	2,156,512	2,142,878	1,868,261	2,504,110	2,219,123	3,507,104	4,490,170	4,621,283	4,091,188	4,464,658
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	133,537	250,956	153,792	181,448	217,570	287,215	306,710	313,323	345,140	368,790
One year later	302,592	619,804	446,224	517,544	623,902	820,835	834,241	884,868	832,645	-
Two years later	740,145	1,035,385	742,265	1,057,835	961,445	1,601,449	1,449,948	1,585,079	-	-
Three years later	1,286,980	1,587,796	1,205,166	1,517,425	1,301,964	2,003,335	2,422,422	-	-	-
Four years later	1,402,029	1,720,022	1,318,812	1,890,718	1,377,895	2,414,070	-	-	-	-
Five years later	1,434,551	1,957,932	1,370,476	2,039,226	1,504,424	-	-	-	-	-
Six years later	1,478,486	1,967,480	1,368,542	2,043,021	-	-	-	-	-	-
Seven years later	1,612,986	1,994,534	1,372,592	-	-	-	-	-	-	-
Eight years later	1,618,230	1,994,534	-	-	-	-	-	-	-	-
Nine years later	1,621,928	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	296,963	4,220,974	21,641	1,291,308	8,605	222,350	2,174,052	1,571,198	198,058	796,650
6. Re-estimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	2,156,512	2,142,878	1,868,261	2,504,110	2,219,123	3,507,104	4,490,170	4,621,283	4,091,188	4,464,658
One year later	1,739,400	2,379,960	1,797,011	2,233,863	2,362,065	4,372,364	4,290,646	4,002,462	3,634,702	-
Two years later	2,254,111	2,457,077	2,103,426	2,471,398	2,350,094	3,718,702	3,759,479	3,429,248	-	-
Three years later	2,184,441	2,242,948	1,854,075	2,069,668	2,176,431	3,027,239	4,294,101	-	-	-
Four years later	1,791,198	2,167,316	1,565,027	2,438,582	1,943,928	2,887,272	-	-	-	-
Five years later	1,786,607	2,080,163	1,552,447	2,086,359	1,983,034	-	-	-	-	-
Six years later	1,726,692	2,062,104	1,377,979	2,090,968	-	-	-	-	-	-
Seven years later	1,650,791	1,996,692	1,383,153	-	-	-	-	-	-	-
Eight years later	1,629,618	1,995,357	-	-	-	-	-	-	-	-
Nine years later	1,640,374	-	-	-	-	-	-	-	-	-
7. Decrease in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	**$ (516,138)**	**$ (147,521)**	**$ (485,108)**	**$ (413,142)**	**$ (236,089)**	**$ (619,832)**	**$ (196,069)**	**$ (1,192,035)**	**$ (456,486)**	**$ -**

Note A - Required contributions are the aggregate of that year's estimate of ultimate claims, plus the cost of excess reinsurance and general and administrative expenses paid or payable for that year.

Property Claims Development Information

	2001	2002	2003	2004	2005	2006	2007
1. Required contributions (Note A) and investment income:							
Earned	$ 2,916,027	$ 3,431,507	$ 4,113,800	$ 4,136,169	$ 4,440,304	$ 4,497,360	$ 6,323,739
Ceded	75,004	120,000	35,735	85,701	85,701	63,091	92,042
Net	2,841,023	3,311,507	4,078,065	4,050,468	4,354,603	4,434,269	6,231,697
2. Expenses other than allocated claim adjustment expenses	1,339,262	1,450,240	1,886,546	2,014,315	2,156,482	2,220,448	2,312,054
3. Estimated claims and allocated claim adjustment expenses, end of policy year:							
Incurred	1,418,191	1,836,608	2,698,901	2,122,742	2,101,728	1,997,715	3,618,929
Ceded	242,847	120,000	666,451	291,322	29,494	63,091	92,042
Net	1,175,344	1,716,608	2,032,450	1,831,420	2,072,234	1,934,624	3,526,887
4. Cumulative net paid and allocated claim adjustment expenses as of:							
End of policy year	855,769	868,026	1,776,904	1,297,358	1,533,890	1,453,271	1,712,810
One year later	964,234	1,829,637	1,873,491	1,899,296	1,796,601	1,739,295	-
Two years later	1,341,648	1,610,302	1,848,753	1,917,932	1,774,328	-	-
Three years later	1,340,788	1,579,414	1,861,940	1,960,639	-	-	-
Four years later	1,224,639	1,585,159	1,852,992	-	-	-	-
Five years later	1,224,246	1,585,190	-	-	-	-	-
Six years later	1,224,246	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	283,599	432,185	350,820	147,065	29,494	63,091	92,042
6. Re-estimated net incurred claims and allocated claim adjustment expenses:							
End of policy year	1,175,344	1,716,608	2,032,450	1,831,420	2,072,234	1,934,624	3,526,887
One year later	971,931	1,912,429	1,912,490	1,984,417	1,818,920	1,764,027	-
Two years later	1,342,372	1,640,961	1,894,381	1,968,388	1,779,960	-	-
Three years later	1,341,422	1,623,452	1,892,456	1,967,775	-	-	-
Four years later	1,225,150	1,604,946	1,871,985	-	-	-	-
Five years later	1,224,246	1,597,049	-	-	-	-	-
Six years later	1,224,246	-	-	-	-	-	-
7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	**$ 48,902**	**$ (119,559)**	**$ (160,465)**	**$ 136,355**	**$ (292,274)**	**$ (170,597)**	**$ -**

Note A - Required contributions are the aggregate of that year's estimate of ultimate claims, plus the cost of excess reinsurance and general and administrative expenses paid or payable for that year.

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*

Plante & Moran, PLLC
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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*

To the Board of Directors
Ohio Township Association Risk
Management Authority

We have audited the financial statements of the Ohio Township Association Risk Management Authority as of and for the year ended December 31, 2007 and have issued our report thereon dated May 19, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ohio Township Association Risk Management Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ohio Township Association Risk Management Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ohio Township Association Risk Management Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Directors
Ohio Township Association Risk
Management Authority

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ohio Township Association Risk Management Authority'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 directors, members, management, and the Auditor of State Mary Taylor and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 19, 2008

Mary Taylor, CPA
Auditor of State

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 24, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us