

# **Ohio Township Association Risk Management Authority**

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**Financial Report  
with Required Supplemental Schedules  
December 31, 2009**





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Ohio Township Association Risk Management Authority  
c/o American Risk Pool Consultants  
29200 Northwestern Highway, Suite 300  
PO Box 5088  
Southfield, MI 48034

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, 2009 through December 31, 2009. 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

June 16, 2010

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# **Ohio Township Association Risk Management Authority**

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## 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 Ohio Township Association Risk Management Authority (the "Pool") as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Pool's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Pool's board of directors and the Pool's administrator, American Risk Pooling Consultants, Inc. ("ARPCO" or "management"). Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 the Pool at December 31, 2009 and 2008 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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2010 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*

June 4, 2010

# **Ohio Township Association Risk Management Authority**

## **Management's Discussion and Analysis**

### **Using this Annual Report**

This annual report consists of the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. Along with the notes to the financial statements, they provide detailed financial information concerning Ohio Township Association Risk Management Authority (the "Pool" or "OTARMA"). The management's discussion and analysis (MD&A) provides a review of the Pool's operating results for the years 2007 through 2009, as well as its financial condition at December 31, 2009, 2008, and 2007. The MD&A should be read in conjunction with the financial statements and notes thereto.

### **Overview**

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

Historically, the property and casualty insurance industry has been unable to provide the consistency of pricing and coverages needed by governmental authorities. The national insurance crisis of the late 1980s, in which political subdivisions in the state of Ohio were unable to purchase affordable insurance, led to the formation of local government risk pools. The transition from insurance to pooling has been so successful that there are over 500 governmental entity pools currently operating in the United States of America. OTARMA was formed in 1987 and has grown steadily to over 946 members today.

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

The OTARMA website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library with over 10,000 multi-media risk management tools. OTARMA enjoys the distinct privilege of being the pool with the most townships in Ohio and the only pool endorsed by The Ohio Township Association ("OTA"). The OTA endorsement is significant; the OTA is dedicated to the promotion and preservation of township government and serves as a resource to aid in effective township government.

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



# Ohio Township Association Risk Management Authority

## Management's Discussion and Analysis (Continued)

### Administration

American Risk Pooling Consultants, Inc. (“ARPCO” or “management”), a division of York Insurance Services Group, Inc. (“York”), functions as the administrator of the Pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool. ARPCO has a staff of highly experienced attorneys and other professionals that have specialized in providing insurance-related services to public entities for over two decades. York is a national provider of claims-handling, specialized loss adjusting, and other related services to public entities throughout the United States of America.

### Financial Overview and Highlights

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

|   | <u>2009</u>                 | <u>2008</u>                 | <u>2007</u>                 |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Assets</b>                                   |                             |                             |                             |
| Cash and cash equivalents                       | \$ 1,731,864                | \$ 3,030,170                | \$ 1,917,120                |
| Investment securities, at fair value            | 24,597,545                  | 24,988,321                  | 27,818,074                  |
| Member contributions to be billed in the future | 11,450,424                  | 10,857,842                  | 11,648,087                  |
| Other assets                                    | <u>1,202,255</u>            | <u>1,861,407</u>            | <u>1,827,422</u>            |
| Total assets                                    | <u><b>\$ 38,982,088</b></u> | <u><b>\$ 40,737,740</b></u> | <u><b>\$ 43,210,703</b></u> |
| <b>Liabilities</b>                              |                             |                             |                             |
| Claims and claim adjustment expense reserves    | \$ 12,017,434               | \$ 12,120,958               | \$ 12,547,523               |
| Unearned premium reserves                       | 130,437                     | 163,863                     | 275,795                     |
| Other liabilities                               | <u>732,895</u>              | <u>696,997</u>              | <u>534,519</u>              |
| Total liabilities                               | 12,880,766                  | 12,981,818                  | 13,357,837                  |
| <b>Net Assets - Unrestricted</b>                | <u>26,101,322</u>           | <u>27,755,922</u>           | <u>29,852,866</u>           |
| Total liabilities and net assets                | <u><b>\$ 38,982,088</b></u> | <u><b>\$ 40,737,740</b></u> | <u><b>\$ 43,210,703</b></u> |

# Ohio Township Association Risk Management Authority

## Management's Discussion and Analysis (Continued)

Approximately 68 percent in 2009, 69 percent in 2008, and 69 percent in 2007 of total assets consist of cash, cash equivalents, and investments. The decrease in cash is mainly attributed to the increase in member distributions, as detailed in Note 6. As a result of the Pool's conservative investment objectives and policies, the overall investment return (excluding the net realized and unrealized losses on investments) totaled 3.85 percent during the year ended December 31, 2009. At December 31, 2009, 2008, and 2007, substantially all of the Pool's investments were invested in U.S. government securities or U.S. agency securities.

In accordance with the requirements of Governmental Accounting Standards Board (GASB) No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, member contributions, claims and claim adjustment expenses, and operating expenses are recognized in the statement of revenue, expenses, and changes in net assets on an accrual basis of accounting. Pursuant to the *Intergovernmental Contract* signed by each member of the Pool, the budgetary funding requirement for each member is equal to the estimated cash outflow of the Pool on an annual basis. As a result of the long claim cycle for casualty related claims, member contributions are collected from active members when the estimated incurred claims and loss adjustment expenses are anticipated to be paid. These estimated amounts are stated in the statement of net assets as "member contributions to be billed in the future." Changes to these estimates are stated in the statement of revenue, expenses, and changes in net assets in a similar methodology as claims reserves detailed below. Because amounts are estimated on a methodology consistent to claims reserves detailed below, amounts will fluctuate from year to year based as a result of changes in the ultimate expected claims to be settled for a specific coverage period.

The Pool's claims and claim adjustment expense reserves remained consistent over the past three years totaling \$12,017,434 in 2009, \$12,120,958 in 2008, and \$12,547,523 in 2007. The reserves are estimated based on known facts for those claims existing at December 31 and a variety of actuarial and statistical techniques that reflect recent settlements, claim frequency, and other economic and social factors to provide reserve estimates for those claims incurred but not reported at year end. Because these estimates depend on complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claims reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which they are made. During the year ended December 31, 2009, the Pool decreased its provision for claims incurred in prior years by \$1,460,822 as a result of a decrease in claim frequency from the original actuarial estimate and favorable outcomes on certain cases settled or expected to be settled in the near term.

Net assets (members' equity) decreased \$1,654,600 and \$2,096,944 for the years ended December 31, 2009 and 2008, respectively, primarily as a result of the board of directors approving cash distributions to members totaling \$3,569,067 and \$2,311,009 for the years ended December 31, 2009 and 2008, respectively.

# Ohio Township Association Risk Management Authority

## Management's Discussion and Analysis (Continued)

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

|  | 2009                  | 2008                  | 2007               |
|--|-----------------------|-----------------------|--------------------|
| <b>Revenue</b>   |                       |                       |                    |
| Member contributions - Operating                                     | \$ 12,884,852         | \$ 12,573,542         | \$ 12,340,742      |
| Reinsurance premiums ceded   | (2,212,557)           | (2,210,061)           | (2,498,023)        |
| Contributions that will be billed in the future to pay unpaid claims | 592,582               | (790,245)             | 808,863            |
| Investment earnings - Interest and dividends                         | 867,471               | 1,133,041             | 1,284,388          |
| Net realized and unrealized (losses) gains on investments            | (322,279)             | 6,483                 | 718,706            |
| <b>Total revenue</b>   | <b>11,810,069</b>     | <b>10,712,760</b>     | <b>12,654,676</b>  |
| <b>Expenses</b>  |                       |                       |                    |
| Provision for claims   | 5,476,822             | 6,299,810             | 6,374,623          |
| Operating expenses   | 4,534,686             | 4,432,351             | 4,336,473          |
| <b>Total expenses</b>  | <b>10,011,508</b>     | <b>10,732,161</b>     | <b>10,711,096</b>  |
| <b>Excess of Revenue Over (Under) Expenses</b>                       | <b>1,798,561</b>      | <b>(19,401)</b>       | <b>1,943,580</b>   |
| <b>Member Withdrawals and Distributions</b>                          | <b>(3,641,495)</b>    | <b>(2,417,167)</b>    | <b>(2,414,887)</b> |
| <b>Contributions - Capitalization - Cumulative Reserve Fund</b>      | <b>188,334</b>        | <b>339,624</b>        | <b>402,559</b>     |
| <b>Decrease in Net Assets</b>  | <b>\$ (1,654,600)</b> | <b>\$ (2,096,944)</b> | <b>\$ (68,748)</b> |

The Pool's membership decreased from 950 to 946 members in 2009. Member contributions increased approximately 2.4 percent, from \$12,573,542 in 2008 to \$12,884,852 in 2009 due to the ability to maintain stability in the rate structure.

# **Ohio Township Association Risk Management Authority**

## **Management's Discussion and Analysis (Continued)**

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains risks up to an amount specified in the contracts. (At December 31, 2009, the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The board of directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Reinsurance expense (ceded) totaled approximately 17.2 percent and 17.6 percent of member contributions for the years ended December 31, 2009 and 2008, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2009 and 2008 for expected recoveries under the reinsurance and excess risk-sharing agreements totaled approximately \$2,135,000 and \$3,052,000, respectively.

In accordance with generally accepted accounting principles, all investments maintained by the Pool must be reported at fair market value (marked-to-market concept). Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net assets as unrealized gains or losses on investments. Net realized and unrealized gains on investments decreased \$328,762 during 2009 as a result of market events that occurred during the year ended 2009.

Total operating expenses of the Pool were consistent in 2009 and 2008, totaling \$4,534,686 and \$4,432,351, respectively, or 35.2 percent, of member contributions.

### **Economic Facts and Next Year's Rates**

The rates charged by the Pool for member contributions for the next year are not expected to change significantly. All other operating expenses are expected to remain consistent with amounts reported in 2009. The provision for claim payments is expected to be consistent with historical trends and the Pool is unaware of any new economic events or legislative events that would have a significant impact on the operations of the Pool.

### **Contacting the Pool's Management**

This financial report is intended to provide OTARMA members and regulators with a general overview of the accountability for the revenue it receives. If you have questions about this report or need additional information, contact John W. Brockschmidt, President, American Risk Pooling Consultants, Inc. at (248) 204-5142.

# Ohio Township Association Risk Management Authority

## Statement of Net Assets

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| <b>Current Assets</b>                                   |                      |                      |
| Cash and cash equivalents (Note 2)                      | \$ 1,731,864         | \$ 3,030,170         |
| Claims service imprest fund                             | -                    | 25,000               |
| Member contributions receivable                         | 944,475              | 898,367              |
| Investment securities (Note 2)                          | 5,076,625            | 6,745,113            |
| Accrued investment income                               | 252,401              | 311,265              |
| Deductibles recoverable                                 | 1,000                | 16,500               |
| Reinsurance receivable on paid claims (Note 4)          | 4,379                | 415,177              |
| Claims escrow fund                                      | -                    | 195,098              |
| Member contributions to be billed in the future         | 3,950,000            | 2,500,000            |
| Total current assets                                    | 11,960,744           | 14,136,690           |
| <b>Noncurrent Assets</b>                                |                      |                      |
| Investment securities - Net of current portion (Note 2) | 19,520,920           | 18,243,208           |
| Member contributions to be billed in the future         | 7,500,424            | 8,357,842            |
| Total noncurrent assets                                 | 27,021,344           | 26,601,050           |
| Total assets  | <u>\$ 38,982,088</u> | <u>\$ 40,737,740</u> |
| <b>Liabilities and Net Assets</b>                       |                      |                      |
| <b>Liabilities</b>                                      |                      |                      |
| Current liabilities:                                    |                      |                      |
| Claims and claim adjustment expense reserves (Note 3)   | \$ 4,517,010         | \$ 3,763,116         |
| Reinsurance premiums payable (Note 4)                   | 83,265               | 161,923              |
| Accounts payable and accrued expenses                   | 649,630              | 535,074              |
| Total current liabilities                               | 5,249,905            | 4,460,113            |
| Long-term liabilities:                                  |                      |                      |
| Claims and claim adjustment expense reserves (Note 3)   | 7,500,424            | 8,357,842            |
| Unearned premium reserves                               | 130,437              | 163,863              |
| Total long-term liabilities                             | 7,630,861            | 8,521,705            |
| Total liabilities                                       | 12,880,766           | 12,981,818           |
| <b>Net Assets - Unrestricted</b>                        | 26,101,322           | 27,755,922           |
| Total liabilities and net assets                        | <u>\$ 38,982,088</u> | <u>\$ 40,737,740</u> |

# Ohio Township Association Risk Management Authority

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

|   | Year Ended           |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2009 | December 31,<br>2008 |
| <b>Revenue</b>  |                      |                      |
| Member contributions - Operating  | \$ 12,884,852        | \$ 12,573,542        |
| Reinsurance premiums ceded (Note 4)   | (2,212,557)          | (2,210,061)          |
| Contributions that will be billed in the future<br>to pay unpaid claims                     | 592,582              | (790,245)            |
| Investment earnings - Interest and dividends  | 867,471              | 1,133,041            |
| Net realized and unrealized (losses) gains<br>on investments                                | (322,279)            | 6,483                |
| Total revenue   | 11,810,069           | 10,712,760           |
| <b>Claims and Claim Adjustment Expenses (Note 3)</b>  |                      |                      |
| Paid  | 7,324,494            | 8,817,716            |
| Recoveries  | (1,381,656)          | (1,421,086)          |
| Decrease in claims and claim adjustment<br>expense reserves                                 | (466,016)            | (1,096,820)          |
| Total claims and claim adjustment expenses  | 5,476,822            | 6,299,810            |
| <b>Excess of Revenue Over Claims and Claim<br/>Adjustment Expenses</b>                      | 6,333,247            | 4,412,950            |
| <b>Expenses</b>   |                      |                      |
| Marketing and administrator fees  | 3,672,440            | 3,586,500            |
| Other   | 862,246              | 845,851              |
| Total expenses  | 4,534,686            | 4,432,351            |
| <b>Excess of Revenue Over (Under) Claims and Claim<br/>Adjustment Expenses and Expenses</b> | 1,798,561            | (19,401)             |
| <b>Member Withdrawals and Distributions</b>   |                      |                      |
| Capitalization (Note 5)   | (72,428)             | (106,158)            |
| Budgetary (Note 6)  | (3,569,067)          | (2,311,009)          |
| Total member withdrawals and distributions  | (3,641,495)          | (2,417,167)          |
| <b>Contributions - Capitalization - Cumulative Reserve Fund</b>                             | 188,334              | 339,624              |
| <b>Decrease in Net Assets</b>   | (1,654,600)          | (2,096,944)          |
| <b>Net Assets - Beginning of year</b>   | 27,755,922           | 29,852,866           |
| <b>Net Assets - End of year</b>   | <b>\$ 26,101,322</b> | <b>\$ 27,755,922</b> |

# Ohio Township Association Risk Management Authority

## Statement of Cash Flows

|   | Year Ended           |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2009 | December 31,<br>2008 |
| <b>Cash Flows from Operating Activities</b>                 |                      |                      |
| Cash received from members                                  | \$ 12,839,207        | \$ 12,534,422        |
| Cash received from excess insurance carriers                | 1,381,656            | 1,421,086            |
| Cash paid for claims  | (6,726,404)          | (8,113,005)          |
| Cash paid for reinsurance premiums                          | (1,880,417)          | (2,191,383)          |
| Cash paid for administrative and general expenses           | (4,420,130)          | (4,360,953)          |
| Net cash provided by (used in) operating activities         | 1,193,912            | (709,833)            |
| <b>Cash Flows from Investing Activities</b>                 |                      |                      |
| Investment income received                                  | 926,335              | 1,171,011            |
| Purchase of investments                                     | (14,278,508)         | (12,356,951)         |
| Proceeds from sales and maturities of investments           | 14,347,005           | 15,193,187           |
| Net cash provided by investing activities                   | 994,832              | 4,007,247            |
| <b>Cash Flows from Noncapital Financing Activities</b>      |                      |                      |
| Receipts from members - Cumulative Reserve Fund             | 154,445              | 232,803              |
| Payments for member withdrawals - Capitalization            | (72,428)             | (106,158)            |
| Payments for member distributions - Budgetary               | (3,569,067)          | (2,311,009)          |
| Net cash used in noncapital financing activities            | (3,487,050)          | (2,184,364)          |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b> | (1,298,306)          | 1,113,050            |
| <b>Cash and Cash Equivalents - Beginning of year</b>        | 3,030,170            | 1,917,120            |
| <b>Cash and Cash Equivalents - End of year</b>              | <b>\$ 1,731,864</b>  | <b>\$ 3,030,170</b>  |

# Ohio Township Association Risk Management Authority

## Statement of Cash Flows (Continued)

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

|  | Year Ended           |                      |
|--|----------------------|----------------------|
|  | December 31,<br>2009 | December 31,<br>2008 |
| Excess of revenue over (under) claims and claim adjustment expenses and expenses   | \$ 1,798,561         | \$ (19,401)          |
| Adjustments to reconcile excess of revenue over (under) claims and claim adjustment expenses and expenses to net cash from operating activities: |                      |                      |
| Investment earnings  | (867,471)            | (1,133,041)          |
| Net realized and unrealized losses (gains) on investments  | 322,279              | (6,483)              |
| (Increase) decrease in assets:   |                      |                      |
| Claims service imprest fund  | 25,000               | 28,582               |
| Member contributions receivable  | (45,645)             | (39,120)             |
| Deductibles recoverable  | 15,500               | 5,874                |
| Reinsurance receivable on paid claims  | 410,798              | (72,402)             |
| Claims escrow fund   | 195,098              | -                    |
| Member contributions to be billed in the future  | (592,582)            | 790,245              |
| Increase (decrease) in liabilities:  |                      |                      |
| Claims and claim adjustment expense reserves   | (103,524)            | (426,565)            |
| Reinsurance premiums payable   | (78,658)             | 91,080               |
| Accounts payable and accrued expenses  | 114,556              | 71,398               |
| Net cash provided by (used in) operating activities  | <u>\$ 1,193,912</u>  | <u>\$ (709,833)</u>  |



# Ohio Township Association Risk Management Authority

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## Notes to Financial Statements December 31, 2009 and 2008

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

OTARMA was created in March 1987 and organized under the laws of the State of Ohio as a local government risk pool. The Ohio Township Association supports and promotes the Pool. A total of 946 townships within the state of Ohio participate in the Pool. OTARMA's primary objectives are to offer customized property and casualty coverage at a fair and stable price, provide a high level of service, and be responsive to the needs of its members.

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

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

**Basis of Presentation** - The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Pool's financial statements are prepared 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.

# Ohio Township Association Risk Management Authority

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## Notes to Financial Statements December 31, 2009 and 2008

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

**Investment Earnings** - Investment earnings are an integral part of the operating aspects of the Pool. The Pool is structured as an enterprise fund, as defined by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. It is the Pool's policy to report all investment earnings as operating income on the statement of revenue, expenses, and changes in net assets.

**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.

**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 casualty capitalization contributions.

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

# Ohio Township Association Risk Management Authority

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## Notes to Financial Statements December 31, 2009 and 2008

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

**Use of Estimates** - Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the statement of net 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 2 - 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.

#### **Deposits**

Cash and cash equivalents include an operating checking account and a short-term money market investment fund. The short-term money market investment fund is created through daily sweeps of excess cash by the Pool's custodial bank into bank-sponsored commingled funds that are invested in short-term securities backed by the U.S. government and other short-term instruments. Cash and cash equivalents totaled \$1,731,864 and \$3,030,170 at December 31, 2009 and 2008, respectively.

# Ohio Township Association Risk Management Authority

## Notes to Financial Statements December 31, 2009 and 2008

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. In October 2008, the FDIC implemented the "Transaction Account Guarantee Program", fully guaranteeing noninterest and some interest-bearing checking account balances through December 31, 2009, regardless of the amount in the account. The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses and, as a result, generally requires balances to maintain daily operating activities. At December 31, 2009 and 2008, the Pool's deposit balance of \$10,000 consisted of bank deposits (checking and savings accounts) and had no bank deposits that were uninsured and uncollateralized.

#### Investments

Investments are reported at fair value. As of December 31, 2009 and 2008, the Pool had the following investments:

|                                 | Fair Value           |                      |
|---------------------------------|----------------------|----------------------|
|                                 | 2009                 | 2008                 |
| U.S. Treasury securities        | \$ 5,603,325         | \$ 2,373,544         |
| U.S. agencies and pass-throughs | 17,800,794           | 21,626,297           |
| Mutual funds                    | <u>1,193,426</u>     | <u>998,480</u>       |
| Total fair value of portfolio   | <u>\$ 24,597,545</u> | <u>\$ 24,998,321</u> |

**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.

# Ohio Township Association Risk Management Authority

## Notes to Financial Statements December 31, 2009 and 2008

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

At December 31, 2009, the average maturities of investments are as follows:

| Investment Type                     | Fair Value           | Weight Average Maturity (Years) |
|-------------------------------------|----------------------|---------------------------------|
| U.S. Treasury securities            | \$ 5,603,325         | 1.04                            |
| U.S. agencies and pass-throughs     | <u>17,800,794</u>    | 3.05                            |
| Total fair value                    | <u>\$ 23,404,119</u> |                                 |
| Portfolio weighted average maturity |                      | <u>2.57</u>                     |

At December 31, 2008, the average maturities of fixed rate investments are as follows:

| Investment Type                     | Fair Value           | Weight Average Maturity (Years) |
|-------------------------------------|----------------------|---------------------------------|
| U.S. Treasury securities            | \$ 2,373,544         | 1.11                            |
| U.S. agencies and pass-throughs     | <u>21,626,297</u>    | 2.64                            |
| Total fair value                    | <u>\$ 23,999,841</u> |                                 |
| Portfolio weighted average maturity |                      | <u>2.49</u>                     |

**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.

# Ohio Township Association Risk Management Authority

## Notes to Financial Statements December 31, 2009 and 2008

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

At December 31, 2009 and 2008, the credit quality ratings of debt securities by investment type (other than the U.S. government) are as follows:

| Rating                                | Fair Value           |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | 2009                 | 2008                 |
| U.S. agencies and pass-throughs - Aaa | <u>\$ 17,800,794</u> | <u>\$ 21,626,297</u> |
| Mutual funds - Aaa                    | <u>\$ 1,193,426</u>  | <u>\$ 998,480</u>    |
| Money market fund - Aaa               | <u>\$ 1,409,526</u>  | <u>\$ 2,435,248</u>  |

The rating organization used by the Pool to rate its investments was Moody's.

**Concentration of Credit Risk** - The Pool has three U.S. agencies and pass-through investments totaling \$11,000,002 and one U.S. Treasury investment totaling \$1,258,688, which individually exceed 5 percent of the Pool's total investments at December 31, 2009. The Pool had three U.S. agencies and pass-through investments totaling \$11,686,824, which individually exceeded 5 percent of the Pool's total investments at December 31, 2008.

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

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

# Ohio Township Association Risk Management Authority

## Notes to Financial Statements December 31, 2009 and 2008

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

The following summarizes changes in claims and claim adjustment expense reserves for the years ended December 31, 2009, 2008, and 2007:

|  | <u>2009</u>          | <u>2008</u>          | <u>2007</u>          |
|--|----------------------|----------------------|----------------------|
| <b>Claims and Claim Adjustment Expense</b>                                 |                      |                      |                      |
| <b>Reserves - Beginning of year</b>  | \$ 12,120,958        | \$ 12,547,523        | \$ 11,283,123        |
| Change in reinsurance recoverable  | <u>362,492</u>       | <u>670,255</u>       | <u>(941,905)</u>     |
| Net claims and claim adjustment<br>expense reserves - Beginning<br>of year | 12,483,450           | 13,217,778           | 10,341,218           |
| <b>Incurred Claims and Claim Adjustment<br/>Expenses</b>                   |                      |                      |                      |
| Provision for claims incurred in current year                              | 6,942,023            | 8,877,248            | 7,991,545            |
| Decrease in provision for claims<br>incurred in prior years                | <u>(1,465,201)</u>   | <u>(2,577,438)</u>   | <u>(1,616,922)</u>   |
| Total incurred claims and claim<br>adjustment expenses                     | 5,476,822            | 6,299,810            | 6,374,623            |
| <b>Payments</b>  |                      |                      |                      |
| Claims and claim expenses paid for claims<br>incurred in current year      | (2,513,035)          | (3,554,301)          | (1,798,411)          |
| Claims and claim expenses paid for claims<br>incurred in prior years       | <u>(3,429,803)</u>   | <u>(3,842,329)</u>   | <u>(2,369,907)</u>   |
| Total payments   | <u>(5,942,838)</u>   | <u>(7,396,630)</u>   | <u>(4,168,318)</u>   |
| <b>Claims and Claim Adjustment Expense<br/>Reserves - End of year</b>      | <u>\$ 12,017,434</u> | <u>\$ 12,120,958</u> | <u>\$ 12,547,523</u> |

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

# **Ohio Township Association Risk Management Authority**

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## **Notes to Financial Statements December 31, 2009 and 2008**

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

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large aggregate and specific losses. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements. Premiums ceded to reinsurance carriers and the risk-sharing pool during the years ended December 31, 2009 and 2008 totaled \$2,212,557 and \$2,210,061, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2009 and 2008 for reinsurance and excess risk-sharing agreements totaled approximately \$2,135,000 and \$3,052,000, respectively.

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

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

In 2009, 13 members withdrew from the Pool, while 11 members withdrew in 2008. In accordance with the intergovernmental contract, these withdrawals resulted in transfers to operations of \$78,896 in 2009 and \$116,867 in 2008, as well as refunds to members of \$4,231 in 2009 and no refunds in 2008. Additionally, there was forfeiture of withdrawn members' funds of \$10,699 in 2009 and \$10,709 in 2008. Upon withdrawal, these members became responsible for all of their respective reported and unreported casualty claims and claim expense.

### **Note 6 - 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 December 31, 2007 through December 31, 2009. During 2009, the board of directors approved an increase to the cash distribution to members to approximately \$3,582,000. For the years ended December 31, 2009 and 2008, cash distributions returned to the members totaled \$3,569,067 and \$2,311,009, respectively.



## **Required Supplemental Schedules**

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# Ohio Township Association Risk Management Authority

## Casualty Claims Development Information

|  | 2000                | 2001                | 2002                | 2003                | 2004                  | 2005                  | 2006               | 2007                | 2008                | 2009         |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|--------------------|---------------------|---------------------|--------------|
| 1. Required contributions (Note A) and investment income:  |                     |                     |                     |                     |                       |                       |                    |                     |                     |              |
| Earned   | \$ 4,342,702        | \$ 5,308,407        | \$ 4,837,529        | \$ 7,691,422        | \$ 7,201,336          | \$ 8,169,181          | \$ 8,248,042       | \$ 8,576,321        | \$ 8,802,951        | \$ 7,981,009 |
| Ceded  | 377,157             | 608,940             | 841,052             | 769,813             | 664,887               | 824,487               | 697,694            | 1,091,475           | 1,433,286           | 760,477      |
| Net  | 3,965,545           | 4,699,467           | 3,996,477           | 6,921,609           | 6,536,449             | 7,344,694             | 7,550,348          | 7,484,846           | 7,369,665           | 7,220,532    |
| 2. Expenses other than allocated claim adjustment expenses   | 1,264,572           | 1,413,275           | 1,596,849           | 1,820,586           | 1,952,051             | 2,031,927             | 2,072,105          | 2,014,329           | 2,032,316           | 2,052,690    |
| 3. Estimated claims and allocated claim adjustment expenses, end of policy year:   |                     |                     |                     |                     |                       |                       |                    |                     |                     |              |
| Incurred   | 2,132,296           | 2,899,971           | 2,798,870           | 3,979,713           | 5,015,109             | 5,070,171             | 4,518,977          | 5,261,308           | 5,665,051           | 4,987,471    |
| Ceded  | 264,035             | 395,861             | 579,747             | 472,609             | 524,939               | 448,888               | 427,789            | 796,650             | 1,101,690           | 421,258      |
| Net  | 1,868,261           | 2,504,110           | 2,219,123           | 3,507,104           | 4,490,170             | 4,621,283             | 4,091,188          | 4,464,658           | 4,563,361           | 4,566,213    |
| 4. Cumulative net paid and allocated claim adjustment expenses as of:  |                     |                     |                     |                     |                       |                       |                    |                     |                     |              |
| End of policy year   | 150,880             | 184,415             | 225,818             | 289,935             | 294,098               | 314,354               | 346,036            | 369,546             | 434,047             | 478,197      |
| One year later   | 468,373             | 529,111             | 626,190             | 814,683             | 832,000               | 892,705               | 832,787            | 1,205,989           | 939,105             | -            |
| Two years later  | 743,272             | 1,054,728           | 969,969             | 1,628,949           | 1,444,200             | 1,588,974             | 1,612,959          | 1,705,436           | -                   | -            |
| Three years later  | 1,214,160           | 1,518,175           | 1,309,421           | 2,003,355           | 2,429,413             | 2,357,397             | 2,678,137          | -                   | -                   | -            |
| Four years later   | 1,332,804           | 1,896,301           | 1,384,852           | 2,414,089           | 2,957,396             | 2,549,169             | -                  | -                   | -                   | -            |
| Five years later   | 1,384,468           | 2,039,709           | 1,511,381           | 2,499,477           | 3,002,515             | -                     | -                  | -                   | -                   | -            |
| Six years later  | 1,377,535           | 2,043,503           | 1,563,839           | 2,660,581           | -                     | -                     | -                  | -                   | -                   | -            |
| Seven years later  | 1,381,585           | 2,047,970           | 1,579,675           | -                   | -                     | -                     | -                  | -                   | -                   | -            |
| Eight years later  | 1,381,585           | 2,051,395           | -                   | -                   | -                     | -                     | -                  | -                   | -                   | -            |
| Nine years later   | 1,381,585           | -                   | -                   | -                   | -                     | -                     | -                  | -                   | -                   | -            |
| 5. Re-estimated ceded claims and expenses  | 19,778              | 1,284,598           | -                   | 211,965             | 122,351               | 259,239               | 1,095,072          | 593,693             | 216,183             | 421,258      |
| 6. Re-estimated net incurred claims and allocated claim adjustment expenses:   |                     |                     |                     |                     |                       |                       |                    |                     |                     |              |
| End of policy year   | 1,868,261           | 2,504,110           | 2,219,123           | 3,507,104           | 4,490,170             | 4,621,283             | 4,091,188          | 4,464,658           | 4,563,361           | 4,566,213    |
| One year later   | 1,797,011           | 2,233,863           | 2,362,065           | 4,372,364           | 4,290,646             | 4,002,462             | 3,634,702          | 4,316,937           | 4,214,489           | -            |
| Two years later  | 2,103,426           | 2,471,398           | 2,350,094           | 3,718,702           | 3,759,479             | 3,429,248             | 3,895,319          | 3,567,536           | -                   | -            |
| Three years later  | 1,854,075           | 2,069,668           | 2,176,431           | 3,027,239           | 4,294,101             | 2,886,195             | 4,070,436          | -                   | -                   | -            |
| Four years later   | 1,565,027           | 2,438,582           | 1,943,928           | 2,887,272           | 3,244,973             | 2,891,536             | -                  | -                   | -                   | -            |
| Five years later   | 1,552,447           | 2,086,359           | 1,983,034           | 2,934,136           | 3,200,665             | -                     | -                  | -                   | -                   | -            |
| Six years later  | 1,377,979           | 2,090,968           | 1,651,845           | 2,863,435           | -                     | -                     | -                  | -                   | -                   | -            |
| Seven years later  | 1,383,153           | 2,109,553           | 1,631,752           | -                   | -                     | -                     | -                  | -                   | -                   | -            |
| Eight years later  | 1,374,597           | 2,087,566           | -                   | -                   | -                     | -                     | -                  | -                   | -                   | -            |
| Nine years later   | 1,381,585           | -                   | -                   | -                   | -                     | -                     | -                  | -                   | -                   | -            |
| 7. Decrease in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end | <u>\$ (486,676)</u> | <u>\$ (416,544)</u> | <u>\$ (587,371)</u> | <u>\$ (643,669)</u> | <u>\$ (1,289,505)</u> | <u>\$ (1,729,747)</u> | <u>\$ (20,752)</u> | <u>\$ (897,122)</u> | <u>\$ (348,872)</u> | <u>\$ -</u>  |

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.

# Ohio Township Association Risk Management Authority

## Property Claims Development Information

|   | 2000         | 2001         | 2002         | 2003         | 2004         | 2005         | 2006         | 2007           | 2008         | 2009         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|
| 1. Required contributions (Note A) and investment income:   |              |              |              |              |              |              |              |                |              |              |
| Earned  | \$ 2,171,245 | \$ 2,916,027 | \$ 3,431,507 | \$ 4,113,800 | \$ 4,136,169 | \$ 4,440,304 | \$ 4,497,360 | \$ 6,323,739   | \$ 7,506,549 | \$ 5,764,942 |
| Ceded   | 158,338      | 75,004       | 120,000      | 35,735       | 85,701       | 85,701       | 63,091       | 92,042         | 463,369      | 704,459      |
| Net   | 2,012,907    | 2,841,023    | 3,311,507    | 4,078,065    | 4,050,468    | 4,354,603    | 4,434,269    | 6,231,697      | 7,043,180    | 5,060,483    |
| 2. Expenses other than allocated claim adjustment expenses  | 1,152,215    | 1,339,262    | 1,450,240    | 1,886,546    | 2,014,315    | 2,156,482    | 2,220,448    | 2,312,054      | 2,391,094    | 2,481,997    |
| 3. Estimated claims and allocated claim adjustment expenses, end of policy year:  |              |              |              |              |              |              |              |                |              |              |
| Incurred  | 891,134      | 1,418,191    | 1,836,608    | 2,698,901    | 2,122,742    | 2,101,728    | 1,997,715    | 3,618,929      | 4,777,256    | 3,080,269    |
| Ceded   | 356,787      | 242,847      | 120,000      | 666,451      | 291,322      | 29,494       | 63,091       | 92,042         | 463,369      | 704,459      |
| Net   | 534,347      | 1,175,344    | 1,716,608    | 2,032,450    | 1,831,420    | 2,072,234    | 1,934,624    | 3,526,887      | 4,313,887    | 2,375,810    |
| 4. Cumulative net paid and allocated claim adjustment expenses as of:   |              |              |              |              |              |              |              |                |              |              |
| End of policy year  | 727,392      | 1,098,542    | 986,342      | 1,564,806    | 1,373,093    | 1,382,465    | 1,371,775    | 1,622,729      | 2,912,544    | 2,034,838    |
| One year later  | 936,472      | 1,305,259    | 1,661,805    | 1,836,369    | 1,739,689    | 1,770,065    | 1,689,615    | 1,961,352      | 3,535,737    | -            |
| Two years later   | 953,629      | 1,315,804    | 1,614,657    | 1,847,894    | 1,757,678    | 1,776,164    | 1,647,862    | 1,990,499      | -            | -            |
| Three years later   | 953,705      | 1,314,944    | 1,579,414    | 1,861,372    | 1,762,522    | 1,778,813    | 1,640,046    | -              | -            | -            |
| Four years later  | 953,705      | 1,224,138    | 1,584,927    | 1,852,425    | 1,779,805    | 1,779,446    | -            | -              | -            | -            |
| Five years later  | 953,890      | 1,224,246    | 1,585,190    | 1,852,769    | 1,703,831    | -            | -            | -              | -            | -            |
| Six years later   | 983,060      | 1,224,246    | 1,585,305    | 1,853,124    | -            | -            | -            | -              | -            | -            |
| Seven years later   | 988,212      | 1,224,246    | 1,586,027    | -            | -            | -            | -            | -              | -            | -            |
| Eight years later   | 988,212      | 1,224,245    | -            | -            | -            | -            | -            | -              | -            | -            |
| Nine years later  | 988,212      | -            | -            | -            | -            | -            | -            | -              | -            | -            |
| 5. Re-estimated ceded claims and expenses   | -            | 25,844       | 177,625      | 260,575      | 296,064      | 190,264      | 21,535       | 1,143,823      | 763,356      | 704,459      |
| 6. Re-estimated net incurred claims and allocated claim adjustment expenses:  |              |              |              |              |              |              |              |                |              |              |
| End of policy year  | 534,347      | 1,175,344    | 1,716,608    | 2,032,450    | 1,831,420    | 2,072,234    | 1,934,624    | 3,526,887      | 4,313,887    | 2,375,810    |
| One year later  | 499,583      | 971,931      | 1,912,429    | 1,912,490    | 1,984,417    | 1,818,920    | 1,764,027    | 2,261,392      | 3,712,790    | -            |
| Two years later   | 489,271      | 1,342,372    | 1,640,961    | 1,894,381    | 1,968,388    | 1,779,960    | 1,668,772    | 2,003,993      | -            | -            |
| Three years later   | 953,705      | 1,341,422    | 1,623,452    | 1,892,456    | 1,967,775    | 1,787,457    | 1,645,112    | -              | -            | -            |
| Four years later  | 953,705      | 1,225,150    | 1,604,946    | 1,871,985    | 1,983,914    | 1,779,446    | -            | -              | -            | -            |
| Five years later  | 953,891      | 1,224,246    | 1,597,049    | 1,880,381    | 1,703,839    | -            | -            | -              | -            | -            |
| Six years later   | 982,828      | 1,224,246    | 1,597,106    | 1,871,745    | -            | -            | -            | -              | -            | -            |
| Seven years later   | 988,212      | 1,224,246    | 1,597,821    | -            | -            | -            | -            | -              | -            | -            |
| Eight years later   | 988,212      | 1,224,246    | -            | -            | -            | -            | -            | -              | -            | -            |
| Nine years later  | 988,212      | -            | -            | -            | -            | -            | -            | -              | -            | -            |
| 7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end | \$ 453,865   | \$ 48,902    | \$ (118,787) | \$ (160,705) | \$ (127,581) | \$ (292,788) | \$ (289,512) | \$ (1,522,894) | \$ (601,097) | \$ -         |

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***

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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*

To the Board of Directors  
Ohio Township Association Risk  
Management Authority

We have audited the financial statements of Ohio Township Association Risk Management Authority as of and for the year ended December 31, 2009 and have issued our report thereon dated June 4, 2010. 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 of the financial statements of 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 Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

To the Board of Directors  
Ohio Township Association Risk  
Management Authority

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*

June 4, 2010



**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  
JUNE 29, 2010**