

Ohio Township Association Risk Management Authority

**Financial Report
with Required Supplemental Schedules
December 31, 2014**



Dave Yost • Auditor of State

Board of Directors
Ohio Township Association Risk Management Authority
29200 Northwestern Highway, Suite 300
P.O. 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, 2014 through December 31, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 27, 2015

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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

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of Ohio Township Association Risk Management Authority (the "Pool"), as of and for the years ended December 31, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Ohio Township Association Risk Management Authority at December 31, 2014 and 2013, and the changes in its financial position and its cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Ohio Township Association Risk Management Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, casualty claims development information, property claims development information, and statement of reconciliation of unpaid claims and claim adjustment expense liability by type of contract, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplemental information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on said information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16 on our consideration of the 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ohio Township Association Risk Management Authority's internal control over financial reporting and compliance.

Plante & Morse, PLLC

April 16, 2015

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Along with the notes to the basic financial statements, it provides detailed financial information concerning the 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 2012 through 2014, as well as its financial condition at December 31, 2014, 2013, and 2012. The MD&A should be read in conjunction with the basic 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 provide 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 957 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.

OTARMA's Annual Report provides members with detailed information about the Pool and OTARMA's website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library with numerous risk management tools available in a variety of resources. 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 Ohio 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

York Risk Pooling Services, Inc. (“York” or “Management”), functions as the administrator of the Pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool. York's pool administration team includes certified public accountants, credentialed underwriters, attorneys that specialize in public entity claims and a host of other subject matter experts, who have decades of experience in the successful management of public entity pools.

Financial Overview and Highlights

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

	2014	2013	2012
Assets			
Cash and cash equivalents	\$ 2,804,618	\$ 5,418,961	\$ 2,839,751
Investment securities - At fair value	24,777,980	20,950,930	22,894,947
Member contributions to be billed in the future	7,237,038	7,450,976	7,899,698
Other assets	1,150,627	1,133,419	1,136,874
Total assets	\$ 35,970,263	\$ 34,954,286	\$ 34,771,270
Liabilities			
Claims and claim adjustment expense reserves	\$ 8,270,806	\$ 7,944,334	\$ 8,746,546
Unearned premium reserves	27,255	46,288	89,668
Other liabilities	614,371	495,741	518,868
Total liabilities	\$ 8,912,432	\$ 8,486,363	\$ 9,355,082
Net Position - Unrestricted	\$ 27,057,831	\$ 26,467,923	\$ 25,416,188

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

Approximately 77 percent in 2014, 75 percent in 2013, and 74 percent in 2012 of total assets consists of cash, cash equivalents, and investments. As a result of the Pool's conservative investment objectives and policies, the overall investment return (excluding the net realized and unrealized gains and losses on investments) totaled 2.37 percent during the year ended December 31, 2014. At December 31, 2014, 2013, and 2012, substantially all of the Pool's investments were invested in U.S. government securities, U.S. agency securities, mutual funds, certificates of deposit, or common stock.

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 position 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 based upon the estimated cash outflow of the Pool on an annual basis. As a result of the long claim cycle for casualty claims, member contributions are collected from active members when the estimated claims and claim adjustment expenses are anticipated to be paid. These estimated amounts are accounted for in the statement of net position as "member contributions to be billed in the future." Changes to these estimates are reflected in the statement of revenue, expenses, and changes in net position, in a method similar to that of claim reserves, as detailed below. Because amounts are estimated in this manner, amounts will fluctuate from year to year due to changes in the estimate of the future cost of settling all existing claims.

The Pool's claims and claim adjustment expense reserves totaled \$8,270,806 in 2014, \$7,944,334 in 2013, and \$8,746,546 in 2012. For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, claim frequency, and other economic and social factors. 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, 2014, the Pool decreased its provision for claims incurred in prior years by \$1,015,160 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 future. Total claim payments decreased by 4 percent, from \$5,210,254 in 2013 to \$5,020,647 in 2014.

Net position at December 31, 2014 increased \$589,908 from the year ended December 31, 2013, as growth in membership and increased investment earnings (including net realized and unrealized gains on investments) more than offset the \$997,855 of budgetary distributions and \$86,702 of actual and anticipated member distributions out of the cumulative reserve fund.

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:

	2014	2013	2012
Operating Revenue			
Member contributions	\$ 13,995,532	\$ 13,667,928	\$ 13,281,541
Reinsurance premiums ceded	(1,802,490)	(1,641,573)	(1,781,937)
Change in contributions that will be billed in the future to pay unpaid claims	(213,938)	(448,722)	(736,964)
Total operating revenue	11,979,104	11,577,633	10,762,640
Operating Expenses			
Provision for claims	5,347,119	4,408,042	4,720,599
General and administrative expenses	5,467,743	5,240,046	4,846,386
Total operating expenses	10,814,862	9,648,088	9,566,985
Operating Income	1,164,242	1,929,545	1,195,655
Nonoperating Revenue (Expenses)			
Investment earnings	541,681	156,466	324,421
Budgetary distributions	(997,855)	(1,003,681)	-
Cumulative reserve fund distributions	(86,702)	(25,836)	(1,468,652)
Total nonoperating expense	(542,876)	(873,051)	(1,144,231)
Withdrawals - Member capital	(31,458)	(4,759)	(2,609)
Change in Net Position	\$ 589,908	\$ 1,051,735	\$ 48,815

The Pool's membership increased from 948 to 957 members in 2014. Member contributions increased from \$13,667,928 in 2013 to \$13,995,532 in 2014.

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 York. 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, 2014, the Pool retained \$350,000 for casualty claims and \$250,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Reinsurance premiums ceded to APEEP and the Pool's excess reinsurers totaled approximately \$1,802,000 and \$1,642,000 for the years ended December 31, 2014 and 2013, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2014 and 2013 for expected recoveries under the reinsurance and excess risk-sharing agreements totaled approximately \$9,052,000 and \$3,632,000, 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 position as unrealized gains or losses on investments. Net realized and unrealized gains (losses) on investments totaled \$79,082 and (\$352,580) for the years ended December 31, 2014 and 2013, respectively.

Total operating expenses of the Pool increased in 2014 from 2013 totaling \$10,814,862 and \$9,648,088, or 77 percent and 71 percent of member contributions, respectively. The increase is primarily due to an increase in claims and claim adjustment expenses.

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 2014. The provision for claim payments is expected to be consistent with historical trends and Management 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 OTARMA receives. Additional information regarding the Pool can be found on OTARMA's website, www.otarma.org. If you have questions about this report or need additional information, contact John W. Brockschmidt, President, York Risk Pooling Services, Inc. at (248) 671-1742.

Ohio Township Association Risk Management Authority

Statement of Net Position

	December 31, 2014	December 31, 2013
Current Assets		
Cash and cash equivalents (Note 2)	\$ 2,804,618	\$ 5,418,961
Investment securities - At fair value (Note 2)	7,361,128	8,099,150
Member contributions receivable	1,016,895	963,536
Deductibles receivable	8,000	2,835
Member contributions to be billed in the future	3,300,000	3,000,000
Accrued investment income	125,732	167,048
Total current assets	14,616,373	17,651,530
Noncurrent Assets		
Investment securities - At fair value (Note 2)	17,416,852	12,851,780
Member contributions to be billed in the future	3,937,038	4,450,976
Total noncurrent assets	21,353,890	17,302,756
Total assets	\$ 35,970,263	\$ 34,954,286
Current Liabilities		
Accounts payable and accrued expenses	\$ 547,825	\$ 429,647
Claims and claim adjustment expense reserves (Note 3)	4,333,768	3,493,358
Reinsurance premiums payable (Note 4)	66,546	66,094
Total current liabilities	4,948,139	3,989,099
Noncurrent Liabilities		
Claims and claim adjustment expense reserves (Note 3)	3,937,038	4,450,976
Unearned premium reserves	27,255	46,288
Total noncurrent liabilities	3,964,293	4,497,264
Total liabilities	\$ 8,912,432	\$ 8,486,363
Net Position - Unrestricted	\$ 27,057,831	\$ 26,467,923

Ohio Township Association Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2014	2013
Operating Revenue		
Member contributions (Note 6)	\$ 13,995,532	\$ 13,667,928
Reinsurance premiums ceded (Note 4)	(1,802,490)	(1,641,573)
Change in contributions that will be billed in the future to pay unpaid claims	(213,938)	(448,722)
Total operating revenue	11,979,104	11,577,633
Operating Expenses		
Claims and claim adjustment expenses (Note 3):		
Paid	5,937,579	7,969,393
Recoveries	(916,932)	(2,759,139)
Change in claims and claim adjustment expense reserves	326,472	(802,212)
Total claims and claim adjustment expenses	5,347,119	4,408,042
Marketing and administrator fees	4,127,583	4,019,946
Other	1,340,160	1,220,100
Total operating expenses	10,814,862	9,648,088
Operating Income	1,164,242	1,929,545
Nonoperating Revenue (Expenses)		
Investment earnings - Interest and dividends	462,599	509,046
Net realized and unrealized gains (losses) on investments	79,082	(352,580)
Budgetary distributions (Note 5)	(997,855)	(1,003,681)
Cumulative reserve fund distributions	(86,702)	(25,836)
Total nonoperating expenses	(542,876)	(873,051)
Withdrawals - Member capital	(31,458)	(4,759)
Change in Net Position	589,908	1,051,735
Net Position - Beginning of year	26,467,923	25,416,188
Net Position - End of year	\$27,057,831	\$26,467,923

Ohio Township Association Risk Management Authority

Statement of Cash Flows

	Year Ended December 31	
	2014	2013
Cash Flows from Operating Activities		
Cash received from members	\$ 13,923,140	\$ 13,598,648
Cash received from reinsurance recoveries	916,932	2,759,139
Cash paid for claims	(5,942,744)	(7,964,103)
Cash paid for reinsurance premiums	(1,802,038)	(1,650,606)
Cash paid for administrative and general expenses	(5,394,082)	(5,254,140)
Net cash provided by operating activities	1,701,208	1,488,938
Cash Flows from Investing Activities		
Investment income received	503,915	533,111
Purchase of investments	(20,953,038)	(16,104,789)
Proceeds from sales and maturities of investments	17,205,070	17,696,226
Net cash (used in) provided by investing activities	(3,244,053)	2,124,548
Cash Flows from Noncapital Financing Activities		
Payments for member withdrawals - Capitalization	(31,458)	(4,759)
Payments for member distributions - Budgetary	(997,855)	(1,003,681)
Payments for member distributions - Cumulative reserve fund	(42,185)	(25,836)
Net cash used in noncapital financing activities	(1,071,498)	(1,034,276)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,614,343)	2,579,210
Cash and Cash Equivalents - Beginning of year	5,418,961	2,839,751
Cash and Cash Equivalents - End of year	\$ 2,804,618	\$ 5,418,961

Ohio Township Association Risk Management Authority

Statement of Cash Flows (Continued)

A reconciliation of operating income to net cash provided by operating activities is as follows:

	Year Ended December 31	
	2014	2013
Operating income	\$ 1,164,242	\$ 1,929,545
Adjustments to reconcile operating income to net cash from operating activities:		
(Increase) decrease in assets:		
Member contributions receivable	(53,359)	(25,900)
Deductibles receivable	(5,165)	5,290
Member contributions to be billed in the future	213,938	448,722
(Decrease) Increase in liabilities:		
Unearned premium reserves	(19,033)	(43,380)
Claims and claim adjustment expense reserves	326,472	(802,212)
Reinsurance premiums payable	452	(9,033)
Accounts payable and accrued expenses	73,661	(14,094)
Net cash provided by operating activities	<u>\$ 1,701,208</u>	<u>\$ 1,488,938</u>
Supplemental Disclosure of Cash Flow Information		
Noncash investing activities - Net realized and unrealized gains (losses) on investments	<u>\$ 79,082</u>	<u>\$ (352,580)</u>

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies

The Pool 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 endorses and promotes the Pool. A total of 957 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 of 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 accompanying financial statements are presented using the full accrual method of accounting in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities.

The Pool distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue relates to member contributions. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating.

The Pool engages York Risk Pooling Services, Inc. (York) to serve as the administrator of the Pool. York specializes in public entity risk pool management and provides a full spectrum of administrative services. As provided for in its administrative agreement, York 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 Risk Consulting. Claim services are provided by York'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 York.

Cash Equivalents - Cash equivalents are liquid assets maturing no more than three months from purchase date and include money market funds, certificates of deposit, and U.S. Treasuries.

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

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

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

Investment Earnings - Investment earnings, including changes in the fair value of investments, are recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

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.

Member Contributions to be Billed in the Future -Member contributions to be billed in the future represent the amounts recoverable from members which have not been billed as of December 31 and directly relate to current estimates of unpaid claims and claims adjustment expenses. These amounts will be billed in the period when the estimated incurred claims, claim adjustment expenses, and related administrative expenses for each certificate year are anticipated to be paid.

Claims and Claim Adjustment Expense Reserves - Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claim expenses from reported claims and claims incurred but not reported. Expected recoveries under reinsurance and excess risk-sharing agreements are deducted from claims and claim expense reserves. Changes to estimates are currently reflected in the statement of revenue, expenses, and changes in net position.

Capitalization Contributions - Casualty capitalization contributions are accounted for under the provisions of GASB 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 the funding 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 using a variety of actuarial and statistical techniques and are recognized when billed. Member contributions reflect the amount to be contributed by members for payment of incurred claims, claim adjustment expenses, reinsurance expenses, and related operating expenses for each certificate year.

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

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

Budgetary Distributions - Budgetary distributions represent surplus funds maintained in the casualty or property budgetary funds that are authorized and approved by the Board of Directors to be paid to members. The amounts are reflected in the basic financial statements during the year of the distribution which coincides with the period of final approval.

Cumulative Reserve Fund Distributions - In accordance with the membership agreement, the Board of Directors may authorize distributions of cumulative reserve funds (CRF) to members. Members must meet certain qualifications and their CRF account balance must exceed levels as determined by the Board of Directors. If the Board of Directors approves a CRF Distribution Plan, amounts to be distributed under this plan are determined annually based on a variety of factors including risk assumed by the Pool, operating results, changes in doctrines of legal liability, changes in damage awards, investment markets and other insurance industry developments. Amounts are reflected in the basic financial statements in the year the distribution is approved by the Board of Directors.

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 position 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.

Upcoming Accounting Pronouncement - In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Pool is currently evaluating the impact this standard will have on the financial statements when adopted, during the Pool's 2016 fiscal year.

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

Note 2 - Deposits and Investments

The Pool designated JPMorgan Chase for the deposit of its funds and UBS Financial Services to handle the investments for the Pool.

Deposits and investments are reported in the basic financial statements for December 31, 2014 as follows:

	<u>2014</u>	
	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits - Cash	\$ 2,384,660	\$ -
Investments:		
Money market mutual funds	\$ 119,993	\$ -
Certificates of deposit	49,987	298,159
U.S. Treasury securities	249,978	13,551,016
Common stock	-	2,012,265
Mutual fund (stock)	-	597,683
U.S. agencies and pass-throughs	-	8,318,857
Total	<u>\$ 2,804,618</u>	<u>\$ 24,777,980</u>

Deposits and investments are reported in the basic financial statements for December 31, 2013 as follows:

	<u>2013</u>	
	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Cash	\$ 1,504,208	\$ -
Investments:		
Money market mutual funds	\$ 2,560,858	\$ -
Certificates of deposit	249,945	80,124
U.S. Treasury securities	1,103,950	9,278,809
Common stock	-	1,516,104
Mutual funds (debt)	-	106,169
Mutual funds (stock)	-	610,752
U.S. agencies and pass-throughs	-	9,358,972
Total	<u>\$ 5,418,961</u>	<u>\$ 20,950,930</u>

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

Note 2 - Deposits and Investments (Continued)

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 - The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses. At December 31, 2014 and 2013, the Pool had \$2,208,276 and \$1,176,087, respectively, of deposits that were uninsured and uncollateralized.

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.

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, 2014, the Pool had the following weighted average maturities of investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money market mutual fund (debt)	\$ 119,993	0.09
U.S. Treasury securities	13,800,994	3.07
U.S. agencies and pass-throughs	8,318,857	3.50
Total fair value	<u>\$ 22,239,844</u>	
Portfolio weighted average maturity		<u>3.21</u>

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

Note 2 - Deposits and Investments (Continued)

At December 31, 2013, the Pool had the following weighted average maturities of investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money market mutual fund (debt)	\$ 2,560,858	0.10
Mutual funds (debt)	106,169	5.14
U.S. Treasury securities	10,382,759	2.87
U.S. agencies and pass-throughs	<u>9,358,972</u>	2.19
Total fair value	<u>\$ 22,408,758</u>	
Portfolio weighted average maturity		<u>2.28</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.

At December 31, 2014 and 2013, the credit quality ratings of debt securities by investment type (other than the U.S. Treasury securities) are as follows:

Investment Type - Rating	Fair Value 2014	Fair Value 2013
U.S. agencies and pass-throughs:		
Aaa	\$ 7,968,749	\$ 5,958,531
Aa2	-	3,400,441
Not rated	<u>350,108</u>	<u>-</u>
Total	<u>\$ 8,318,857</u>	<u>\$ 9,358,972</u>
Mutual funds (debt) - B	<u>\$ -</u>	<u>\$ 106,169</u>

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

Note 2 - Deposits and Investments (Continued)

The rating organizations used by the Pool to rate its investments were Moody's and Standard & Poor's.

Concentration of Credit Risk - The Pool places no limit on the amount it may invest in any one issuer. The Pool's investment holdings subject to concentration of credit include certificates of deposit, common stock, and U.S. agencies and pass-throughs. At December 31, 2014, the Pool had investments of \$3,497,945 in Federal Home Loan Bank, \$1,722,011 in Freddie Mac, and \$3,098,901 in Fannie Mae; these investments represent 32.9 percent, 16.2 percent, and 29.2 percent, respectively, of the Pool's total investments subject to concentration of credit risk. At December 31, 2013, the Pool had investments of \$1,084,579 in Federal Home Loan Bank, \$1,707,288 in Freddie Mac, and \$6,567,105 in Fannie Mae; these investments represent 9.7 percent, 15.2 percent, and 58.6 percent of the Pool's total investments subject to concentration of credit risk.

Note 3 - Claims and Claim Adjustment Expense Reserves

For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, 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 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; therefore, 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 claims reserves are charged to expense in the periods in which they are made.

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

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

The following represents changes in claims and claim adjustment expense reserves for the years ended December 31, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Claims and Claim Adjustment Expense Reserves -			
Beginning of year	\$ 7,944,334	\$ 8,746,546	\$ 9,086,447
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	6,362,279	6,689,409	6,461,848
Change in provision for claims incurred in prior years	<u>(1,015,160)</u>	<u>(2,281,367)</u>	<u>(1,741,249)</u>
Total incurred claims and claim adjustment expenses	5,347,119	4,408,042	4,720,599
Payments			
Claims and claim adjustment expenses paid for claims incurred in current year	(2,846,070)	(2,206,981)	(2,851,466)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(2,174,577)</u>	<u>(3,003,273)</u>	<u>(2,209,034)</u>
Total payments	<u>(5,020,647)</u>	<u>(5,210,254)</u>	<u>(5,060,500)</u>
Claims and Claim Adjustment Expense Reserves -			
End of year	<u>\$ 8,270,806</u>	<u>\$ 7,944,334</u>	<u>\$ 8,746,546</u>

Reserves for claims and claims adjustment expense attributable to covered events in prior years changed as a result of reestimation of unpaid claims and claims 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.

Note 4 - Reinsurance and Excess Risk-Sharing Agreements

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large specific and aggregate 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, 2014 and 2013 totaled \$1,802,490 and \$1,641,573, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2014 and 2013 for reinsurance and excess risk-sharing agreements totaled approximately \$9,052,000 and \$3,632,000, respectively.

Ohio Township Association Risk Management Authority

Notes to Basic Financial Statements December 31, 2014 and 2013

Note 4 - Reinsurance and Excess Risk-Sharing Agreements (Continued)

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

Note 5 - Member Distributions

In 2014 and 2013, the board of directors approved a budgetary cash distribution to members of approximately \$1,000,000 each year. For the years ended December 31, 2014 and 2013, budgetary cash distributions paid to members totaled \$997,855 and \$1,003,681, respectively.

Members must make contributions to the CRF for the first six years of membership. Qualifying members may receive distributions from the CRF pursuant to the formulas currently established by the Pool. CRF distributions to qualifying members totaled \$86,702 and \$25,836 for the years ended December 31, 2014 and 2013, respectively.

Note 6 - Member Contributions

The following summarizes the components of member contributions for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Member contributions - Operating	\$ 13,870,012	\$ 13,513,585
Member contributions - Cumulative reserve fund	106,487	110,963
Change in unearned premium reserves	<u>19,033</u>	<u>43,380</u>
Total member contributions	<u>\$ 13,995,532</u>	<u>\$ 13,667,928</u>

Required Supplemental Information

Ohio Township Association Risk Management Authority

Casualty Claims Development Information

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
I. Required contributions and investment income :										
Earned	\$ 7,022,261	\$ 7,976,953	\$ 7,501,562	\$ 7,280,411	\$ 7,137,094	\$ 6,862,131	\$ 6,609,936	\$ 6,624,968	\$ 6,778,509	\$ 6,804,387
Ceded	1,136,343	1,096,907	1,419,049	1,221,895	1,114,223	960,105	884,370	896,331	814,052	963,223
Net	5,885,918	6,880,046	6,082,513	6,058,516	6,022,871	5,902,026	5,725,566	5,728,637	5,964,457	5,841,164
2. Expenses other than allocated claim adjustment expenses	2,031,927	2,072,105	2,014,329	2,032,316	2,052,690	2,001,633	2,133,385	2,227,739	2,384,949	2,468,586
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	5,070,171	4,518,977	5,261,308	5,665,051	4,987,471	5,689,607	4,216,736	3,782,620	5,411,291	3,358,896
Ceded	448,888	427,789	796,650	1,101,690	421,258	1,706,120	694,898	280,266	610,618	283,776
Net	4,621,283	4,091,188	4,464,658	4,563,361	4,566,213	3,983,487	3,521,838	3,502,354	4,800,673	3,075,120
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	314,354	346,036	369,546	434,047	478,197	477,826	501,138	718,837	626,461	555,884
One year later	892,705	832,787	1,205,989	939,105	1,334,999	1,185,524	868,189	1,327,348	1,576,920	-
Two years later	1,588,974	1,612,959	1,705,436	1,717,639	1,941,696	1,667,463	1,358,231	1,696,084	-	-
Three years later	2,357,397	2,678,137	2,432,602	2,318,923	2,266,178	2,009,248	1,553,370	-	-	-
Four years later	2,549,169	3,094,370	3,041,373	2,502,839	2,445,378	2,058,794	-	-	-	-
Five years later	2,578,655	3,215,785	3,359,146	2,583,448	2,570,836	-	-	-	-	-
Six years later	2,584,262	3,243,128	3,471,318	2,596,617	-	-	-	-	-	-
Seven years later	2,587,167	3,412,229	3,477,519	-	-	-	-	-	-	-
Eight years later	2,685,554	3,412,523	-	-	-	-	-	-	-	-
Nine years later	2,692,416	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	259,239	2,301,870	770,210	-	(741)	2,142,065	5,093,288	(20,650)	465,125	283,776
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	4,621,283	4,091,188	4,464,658	4,563,361	4,566,213	3,983,487	3,521,838	3,502,354	4,800,673	3,075,120
One year later	4,002,462	3,634,702	4,316,937	4,214,489	4,011,253	3,474,777	3,185,845	2,554,661	4,138,355	-
Two years later	3,429,248	3,895,319	3,567,536	3,272,262	3,919,516	3,074,912	2,580,519	2,412,933	-	-
Three years later	2,886,195	4,070,436	3,325,321	2,759,585	3,012,831	2,405,670	2,479,758	-	-	-
Four years later	2,891,536	3,548,854	3,593,397	2,695,271	2,610,148	2,214,896	-	-	-	-
Five years later	2,776,601	3,520,393	3,419,589	2,638,476	2,625,558	-	-	-	-	-
Six years later	2,597,758	3,586,565	3,524,753	2,635,115	-	-	-	-	-	-
Seven years later	2,602,880	3,478,615	3,541,264	-	-	-	-	-	-	-
Eight years later	2,714,878	3,478,624	-	-	-	-	-	-	-	-
Nine years later	2,701,182	-	-	-	-	-	-	-	-	-
7. Decrease in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (1,920,101)</u>	<u>\$ (612,564)</u>	<u>\$ (923,394)</u>	<u>\$ (1,928,246)</u>	<u>\$ (1,940,655)</u>	<u>\$ (1,768,591)</u>	<u>\$ (1,042,080)</u>	<u>\$ (1,089,421)</u>	<u>\$ (662,318)</u>	<u>\$ -</u>

Ohio Township Association Risk Management Authority

Property Claims Development Information

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Required contributions and investment income:										
Earned	\$ 5,996,083	\$ 6,285,330	\$ 6,537,998	\$ 6,668,098	\$ 6,771,733	\$ 6,783,382	\$ 6,850,634	\$ 7,009,382	\$ 7,281,816	\$ 7,494,468
Ceded	<u>982,243</u>	<u>973,575</u>	<u>999,555</u>	<u>948,429</u>	<u>1,063,882</u>	<u>1,119,658</u>	<u>1,110,532</u>	<u>885,606</u>	<u>827,521</u>	<u>839,266</u>
Net	5,013,840	5,311,755	5,538,443	5,719,669	5,707,851	5,663,724	5,740,102	6,123,776	6,454,295	6,655,202
2. Expenses other than allocated claim adjustment expenses	2,156,482	2,220,448	2,312,054	2,391,094	2,481,997	2,509,725	2,556,423	2,618,646	2,855,097	2,999,159
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	2,101,728	1,997,715	3,618,929	4,777,256	3,080,269	3,053,830	2,778,501	3,536,170	1,909,062	4,469,367
Ceded	<u>29,494</u>	<u>63,091</u>	<u>92,042</u>	<u>463,369</u>	<u>704,459</u>	<u>317,665</u>	<u>415,974</u>	<u>576,233</u>	<u>21,127</u>	<u>1,182,208</u>
Net	2,072,234	1,934,624	3,526,887	4,313,887	2,375,810	2,736,165	2,362,527	2,959,937	1,887,935	3,287,159
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	1,382,464	1,371,775	1,622,730	2,912,543	2,034,838	2,402,760	1,951,909	2,133,072	1,579,719	2,290,186
One year later	1,770,066	1,689,615	1,961,352	3,535,737	2,394,347	2,496,917	2,445,465	3,025,524	1,788,036	-
Two years later	1,776,163	1,647,863	1,990,499	3,558,202	2,346,005	2,501,900	2,450,028	3,081,530	-	-
Three years later	1,778,813	1,640,046	1,971,281	3,568,698	2,345,936	2,507,511	2,449,853	-	-	-
Four years later	1,779,446	1,661,945	1,971,022	3,567,831	2,360,188	2,552,055	-	-	-	-
Five years later	1,779,446	1,666,858	1,970,819	3,572,462	2,360,188	-	-	-	-	-
Six years later	1,779,446	1,664,270	1,970,519	3,572,196	-	-	-	-	-	-
Seven years later	1,779,446	1,660,406	1,970,219	-	-	-	-	-	-	-
Eight years later	1,779,455	1,660,386	-	-	-	-	-	-	-	-
Nine years later	1,779,455	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	190,264	21,535	1,143,823	764,881	704,459	283,819	315,222	547,292	21,127	1,182,208
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	2,072,234	1,934,624	3,526,887	4,313,887	2,375,810	2,736,165	2,362,527	2,959,937	1,887,935	3,287,159
One year later	1,818,920	1,764,027	2,261,392	3,712,790	2,426,014	2,488,333	2,434,318	3,164,495	1,796,703	-
Two years later	1,779,960	1,668,772	2,003,993	3,589,594	2,366,194	2,502,075	2,450,867	3,082,331	-	-
Three years later	1,787,457	1,645,112	1,978,387	3,581,952	2,360,602	2,550,250	2,450,467	-	-	-
Four years later	1,779,446	1,686,485	1,974,118	3,581,086	2,360,131	2,576,121	-	-	-	-
Five years later	1,779,446	1,677,099	1,976,685	3,574,944	2,360,188	-	-	-	-	-
Six years later	1,779,446	1,661,550	1,970,685	3,574,677	-	-	-	-	-	-
Seven years later	1,779,446	1,660,406	1,970,385	-	-	-	-	-	-	-
Eight years later	1,779,455	1,660,386	-	-	-	-	-	-	-	-
Nine years later	1,779,455	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (292,779)</u>	<u>\$ (274,238)</u>	<u>\$ (1,556,502)</u>	<u>\$ (739,210)</u>	<u>\$ (15,622)</u>	<u>\$ (160,044)</u>	<u>\$ 87,940</u>	<u>\$ 122,394</u>	<u>\$ (91,232)</u>	<u>\$ -</u>

Ohio Township Association Risk Management Authority

Statement of Reconciliation of Unpaid Claims and Claim Adjustment Expense Liability by Type of Contract

	Fiscal and Policy Years Ended December 31					
	2014			2013		
	Liability	Property	Total	Liability	Property	Total
Unpaid claims and claim adjustment expenses liability - Beginning of year	\$ 7,450,976	\$ 493,358	\$ 7,944,334	\$ 7,899,698	\$ 846,848	\$ 8,746,546
Incurred claims and claim adjustment expenses:
Provision for insured events of the current fiscal year	3,075,120	3,287,159	6,362,279	4,801,474	1,887,935	6,689,409
Change in provision for insured events of prior fiscal years	<u>(866,705)</u>	<u>(148,455)</u>	<u>(1,015,160)</u>	<u>(2,517,709)</u>	<u>236,342</u>	<u>(2,281,367)</u>
Total incurred claims and claim adjustment expense	2,208,415	3,138,704	5,347,119	2,283,765	2,124,277	4,408,042
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(555,884)	(2,290,186)	(2,846,070)	(627,262)	(1,579,719)	(2,206,981)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(1,866,469)</u>	<u>(308,108)</u>	<u>(2,174,577)</u>	<u>(2,105,225)</u>	<u>(898,048)</u>	<u>(3,003,273)</u>
Total payments	<u>(2,422,353)</u>	<u>(2,598,294)</u>	<u>(5,020,647)</u>	<u>(2,732,487)</u>	<u>(2,477,767)</u>	<u>(5,210,254)</u>
Unpaid claims and claim adjustment expenses liability - End of year	<u>\$ 7,237,038</u>	<u>\$ 1,033,768</u>	<u>\$ 8,270,806</u>	<u>\$ 7,450,976</u>	<u>\$ 493,358</u>	<u>\$ 7,944,334</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Ohio Township Association Risk Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Ohio Township Association Risk Management Authority, which comprise the basic statement of financial position as of December 31, 2014, and the related statements revenue, expenses and changes in net position, and cash flows for the year then ended, and related notes to the basic financial statements, and have issued our report thereon dated April 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Ohio Township Association Risk Management Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Pool's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To Management and 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 basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Plante & Moran, PLLC

April 16, 2015



Dave Yost • 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 9, 2015**