

**OHIO TOWNSHIP ASSOCIATION  
RISK MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS WITH REQUIRED  
SUPPLEMENTARY INFORMATION**

December 31, 2017 and 2016





# Dave Yost • Auditor of State

Board of Directors  
Ohio Township Association Risk Management Authority  
31555 West 14 Mile Road  
Suite 110  
Farmington Hills, MI 48334-1986

We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Crowe Horwath LLP, for the audit period January 1, 2017 through December 31, 2017. 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 22, 2018

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OHIO TOWNSHIP ASSOCIATION  
RISK MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS WITH REQUIRED  
SUPPLEMENTARY INFORMATION  
December 31, 2017 and 2016

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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 year ended December 31, 2017, 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 audit. 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. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

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## **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, 2017, 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.

## **Other Matters**

### *Prior Period Financial Statements*

The basic financial statements of Ohio Township Association Risk Management Authority as of December 31, 2016, were audited by other auditors whose report dated April 27, 2017 expressed an unmodified opinion with respect to those statements.

### *Required Supplementary 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary 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 19, 2018 on our consideration of the Pool'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 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 the Pool's internal control over financial reporting and compliance.

**Crowe Horwath LLP**  
Crowe Horwath LLP

Simsbury, Connecticut  
April 19, 2018

### **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 (the "MD&A") provides a review of the Pool's operating results for the years 2015 through 2017, as well as its financial condition at December 31, 2017, 2016 and 2015. 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 coverage 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 1,016 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. Additionally, OTARMA's website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library that contains numerous risk management and training materials in a variety of convenient formats. 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 (the "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.

### **Administration**

York Risk Pooling Services, Inc. ("York" or "Management") functions as the administrator of the Pool and provides program management, underwriting, claims, loss control, risk management and reinsurance services for the Pool. York's pool administration team includes certified public accountants, credentialed underwriters, attorneys who 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.

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017, 2016 and 2015

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**Financial Overview and Highlights**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,200,562	\$ 3,950,351	\$ 5,158,457
Investments, at fair value	25,637,095	26,372,718	23,282,398
Member contributions to be billed in the future	6,909,485	6,897,695	7,721,427
Other assets	<u>1,263,590</u>	<u>1,252,519</u>	<u>1,151,029</u>
Total assets	<u>40,010,732</u>	<u>38,473,283</u>	<u>37,313,311</u>
<b>LIABILITIES</b>			
Claims and claim adjustment expense reserves	8,028,610	7,423,984	7,845,845
Unearned premium reserves	29,861	29,077	22,325
Other liabilities	<u>616,994</u>	<u>791,079</u>	<u>550,348</u>
Total liabilities	<u>8,675,465</u>	<u>8,244,140</u>	<u>8,418,518</u>
Net position - unrestricted	<u>\$ 31,335,267</u>	<u>\$ 30,229,143</u>	<u>\$ 28,894,793</u>

Approximately 80 percent in 2017, 79 percent in 2016, and 76 percent in 2015 of total assets consist 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 2.0 percent during the year ended December 31, 2017. At December 31, 2017, 2016, and 2015, substantially all of the Pool's investments were invested in U.S. government securities, U.S. agency securities, money market investment pools, mutual funds, certificates of deposit, or common stock.

In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement 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 and surplus considerations 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.

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017, 2016 and 2015

The Pool's claims and claim adjustment expense reserves totaled \$8,028,610 in 2017, \$7,423,984 in 2016, and \$7,845,845 in 2015. 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 severity, and other economic factors. Because these estimates are impacted by 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 claim 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 the adjustments are made. During the year ended December 31, 2017, the Pool decreased its provision for claims incurred in prior years by \$724,268 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 increased by less than one percent, from \$4,788,223 in 2016 to \$4,821,805 in 2017.

Net position at December 31, 2017 increased \$1,106,124 from the year ended December 31, 2016 due to growth in membership and continued favorable trending on claim frequency and severity.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Operating Revenue</b>			
Member contributions	\$ 15,665,656	\$ 15,232,090	\$ 14,551,267
Reinsurance premiums ceded	(2,299,540)	(2,105,292)	(1,743,436)
Change in contributions that will be billed in the future to pay unpaid claims	<u>11,790</u>	<u>(823,732)</u>	<u>484,389</u>
Total operating revenue	<u>13,377,906</u>	<u>12,303,066</u>	<u>13,292,220</u>
<b>Operating expenses</b>			
Provision for claims	5,426,431	4,366,362	4,944,764
General and administrative expenses	<u>6,122,704</u>	<u>5,930,459</u>	<u>5,681,668</u>
Total operating expenses	<u>11,549,135</u>	<u>10,296,821</u>	<u>10,626,432</u>
Net operating income	1,828,771	2,006,245	2,665,788
<b>Nonoperating revenue (expense):</b>			
Investment earnings	621,298	346,742	201,652
Budgetary distributions	(1,321,705)	(993,383)	(997,296)
Cumulative reserve fund distributions	<u>-</u>	<u>(18,914)</u>	<u>(33,182)</u>
Total nonoperating revenue (expense)	<u>(700,407)</u>	<u>(665,555)</u>	<u>(828,826)</u>
Withdrawals - Member capital	<u>(22,240)</u>	<u>(6,340)</u>	<u>-</u>
Change in net position	1,106,124	1,334,350	1,836,962
Net position, beginning of year	<u>30,229,143</u>	<u>28,894,793</u>	<u>27,057,831</u>
Net position, end of year	<u>\$ 31,335,267</u>	<u>\$ 30,229,143</u>	<u>\$ 28,894,793</u>

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017, 2016 and 2015

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The Pool's membership increased from 1,010 to 1,016 members in 2017. Member contributions increased from \$15,232,090 in 2016 to \$15,665,656 in 2017.

The Pool uses reinsurance and excess risk sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of the Pool's claims from reinsurers and a risk sharing pool, although 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, 2017, 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 \$2,300,000 and \$2,105,000 for the years ended December 31, 2017 and 2016, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2017 and 2016 for expected recoveries under the reinsurance and excess risk sharing agreements totaled approximately \$4,397,000 and \$4,925,000, 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 \$65,627 and (\$180,182) for the years ended December 31, 2017 and 2016, respectively, as a result of market conditions that occurred over each year.

Total operating expenses of the Pool increased in 2017 from 2016 totaling \$11,549,135 and \$10,296,821 or 74 percent and 68 percent of member contributions, respectively.

#### **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 2017. The provision for claim payments is expected to be consistent with historical trends and Management is unaware of any new economic 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](http://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  
STATEMENTS OF NET POSITION  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,200,562	\$ 3,950,351
Investment securities - at fair value	7,556,426	9,061,001
Member contribution receivable	1,085,800	1,069,265
Reinsurance receivable on paid claims	19,661	-
Deductible receivable	-	20,000
Member contributions to be billed in the future	2,650,000	2,850,000
Accrued investment income	158,129	163,254
Total current assets	17,670,578	17,113,871
Noncurrent assets:		
Investment securities, at fair value	18,080,669	17,311,717
Member contributions to be billed in the future	4,259,485	4,047,695
Total noncurrent assets	22,340,154	21,359,412
Total assets	40,010,732	38,473,283
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	527,274	564,593
Claims and claim adjustment expense reserves	3,769,125	3,376,289
Reinsurance premiums payable	89,720	226,486
Total current liabilities	4,386,119	4,167,368
Noncurrent liabilities:		
Claims and claim adjustment expense reserves	4,259,485	4,047,695
Unearned premium revenues	29,861	29,077
Total noncurrent liabilities	4,289,346	4,076,772
Total liabilities	8,675,465	8,244,140
Net position - unrestricted	\$ 31,335,267	\$ 30,229,143

See Notes to Basic Financial Statements.

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Member contributions	\$ 15,665,656	\$ 15,232,090
Reinsurance premiums ceded	(2,299,540)	(2,105,292)
Change in contributions that will be billed in the future to pay unpaid claims	<u>11,790</u>	<u>(823,732)</u>
Total operating revenue	13,377,906	12,303,066
Operating expenses:		
Claims and claim adjustment expenses	5,426,431	4,366,362
Marketing and administrator fees	4,643,940	4,508,130
Other	<u>1,478,764</u>	<u>1,422,329</u>
Total operating expenses	11,549,135	10,296,821
Operating income	1,828,771	2,006,245
Nonoperating revenue (expense):		
Interest and dividend income	555,671	526,924
Net realized and unrealized gains (losses) on investments	65,627	(180,182)
Budgetary distributions	(1,321,705)	(993,383)
Cumulative reserve fund distributions	<u>-</u>	<u>(18,914)</u>
Total nonoperating revenue (expense)	(700,407)	(665,555)
Withdrawals - Member capital	<u>(22,240)</u>	<u>(6,340)</u>
Change in net position	1,106,124	1,334,350
Net position, beginning of year	<u>30,229,143</u>	<u>28,894,793</u>
Net position, end of year	<u>\$ 31,335,267</u>	<u>\$ 30,229,143</u>

See Notes to Basic Financial Statements.

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Cash received from members	\$ 15,649,904	\$ 15,202,955
Cash received from reinsurance recoveries	1,064,630	3,248,536
Cash paid for claims	(5,886,096)	(8,056,263)
Cash paid for reinsurance premiums	(2,436,306)	(1,964,213)
Cash paid for administrative and general expenses	(6,141,104)	(5,816,535)
Net cash flows from operating activities	<u>2,251,028</u>	<u>2,614,480</u>
<b>Cash flows from investing activities</b>		
Investment income received	560,795	480,821
Purchase of investments	(17,979,141)	(23,610,922)
Proceeds from sales and maturities of investments	18,780,388	20,340,421
Net cash flows from investment activities	<u>1,362,042</u>	<u>(2,789,680)</u>
<b>Cash flows from financing activities</b>		
Payments for member withdrawals - capitalization	(22,240)	(6,340)
Payments for member distributions - budgetary	(1,321,705)	(993,383)
Payments for member cumulative reserve fund distributions	(18,914)	(33,183)
Net cash flows from investment activities	<u>(1,362,859)</u>	<u>(1,032,906)</u>
 Increase (decrease) in cash and cash equivalents	 2,250,211	 (1,208,106)
Cash and cash equivalents, beginning of year	<u>3,950,351</u>	<u>5,158,457</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 6,200,562</u></b>	<b><u>\$ 3,950,351</u></b>

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

	<u>2017</u>	<u>2016</u>
Net operating income	\$ 1,828,771	\$ 2,006,245
Changes in operating assets and liabilities:		
Member contributions receivable	(16,535)	(35,887)
Reinsurance receivable on paid claims	(19,661)	-
Deductible receivable	20,000	(19,500)
Member contributions to be billed in the future	(11,790)	823,732
Unearned premium reserves	784	6,752
Claims and claim adjustment expense reserves	604,626	(421,861)
Reinsurance premiums payable	(136,766)	141,080
Accounts payable and accrued expenses	(18,401)	113,919
Net cash from operating activities	<u>\$ 2,251,028</u>	<u>\$ 2,614,480</u>

See Notes to Basic Financial Statements.

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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**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 1,016 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 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 basic 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 nonoperating 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" or "Management") 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. OTARMA reimburses these organizations for their services pursuant to the terms of their respective agreements with York.

Cash Equivalents: The Pool classifies certain securities with original maturity dates of three months or less from the date of purchase as cash equivalents. Cash equivalents are comprised of money market funds as of December 31, 2017 and 2016. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. During the normal course of business, the Pool may maintain cash balances in excess of the FDIC insurance limit. It is the Pool's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis.

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments: The Pool accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. The amortized cost of debt securities are adjusted using the interest method for amortization of premiums and accretion of discounts. Such amortization and accretion is included in net investment income. Investment purchases are recognized on the settlement date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3," certain disclosures regarding deposit and investment risks have been provided in Note 2.

Member Contributions Receivable: Member contributions receivable represent amounts due from members of the Pool and are considered collectible.

Bad Debts: The Pool uses the allowance method to record bad debts. The Pool records an allowance for doubtful accounts against its outstanding member contributions receivable, which is based on its estimation of bad debts in the near term. This estimate is based on the Pool's past experience with collecting its receivables from members and an analysis of current member contributions receivable. There was no allowance for doubtful accounts recorded as of December 31, 2017 and 2016.

Member Contributions to be Billed in the Future: Member contributions to be billed in the future represent the amounts recoverable from members that have not been billed as of December 31 and directly relate to current estimates of unpaid claims and claim adjustment expenses from prior certificate years. 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.

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(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 reflect the amount to be contributed by members for estimated payment of claims and claim adjustment expenses, reinsurance expenses, related operating expenses and surplus maintenance for each certificate year, and are recognized when billed. Paid claims and claim adjustment expenses for the subsequent certificate year are estimated using a variety of actuarial and statistical techniques.

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, in order 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 2016 amounts have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on prior year change in net position or net position.

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(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

**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, 2017 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits:		
Cash	\$ 2,297,111	\$ -
Investments:		
Money market investment pools	424,329	-
Certificates of deposit	-	611,624
U.S. Treasury securities	3,479,122	16,056,606
Common stock	-	2,465,186
Mutual fund (stock)	-	705,806
U.S. agencies and pass-throughs	-	5,797,873
Total investments	<u>3,903,451</u>	<u>25,637,095</u>
Total	<u>\$ 6,200,562</u>	<u>\$ 25,637,095</u>

Deposits and investments are reported in the basic financial statements for December 31, 2016 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits:		
Cash	\$ 1,552,599	\$ -
Investments:		
Money market investment pools	111,522	-
Certificates of deposit	-	625,022
U.S. Treasury securities	2,155,719	15,775,560
Common stock	-	2,069,552
Mutual fund (stock)	-	643,617
U.S. agencies and pass-throughs	130,511	7,258,967
Total investments	<u>2,397,752</u>	<u>26,372,718</u>
Total	<u>\$ 3,950,351</u>	<u>\$ 26,372,718</u>

There are no limitations or restrictions on participant withdrawals for money market investment pools, which are recorded at amortized cost.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

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**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, 2017 and 2016, the Pool had \$2,175,851 and \$1,290,679, 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, 2017, the Pool had the following weighted average maturities of money market investment pools and debt securities by investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity (Years)</u>
Money market investment pools*	\$ 424,329	0.05
U.S. Treasury securities	19,535,728	3.04
U.S. agencies and pass-throughs	<u>5,797,873</u>	<u>3.20</u>
Total fair value	<u>\$ 25,757,930</u>	
Portfolio weighted average maturity		<u>3.03</u>

\*Recorded at amortized cost

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(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

At December 31, 2016, the Pool had the following weighted average maturities of money market investment pools and debt securities by investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money market investment pools*	\$ 111,522	0.11
U.S. Treasury securities	17,931,279	3.70
U.S. agencies and pass-throughs	<u>7,389,478</u>	<u>4.13</u>
 Total fair value	 <u>\$ 25,432,279</u>	
 Portfolio weighted average maturity		 <u>3.81</u>

\*Recorded at amortized cost

Credit Risk: Credit risk is the risk that an issuer of 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, 2017 and 2016, the credit quality ratings of money market investment pools and debt securities by investment type (other than the U.S. Treasury securities) are as follows:

<u>Investment Type - Rating</u>	<u>Fair Value 2017</u>	<u>Fair Value 2016</u>
U.S. agencies and passthroughs - Aaa	<u>\$ 5,797,873</u>	<u>\$ 7,389,478</u>
Money market investment pools* - Aaa	<u>\$ 424,329</u>	<u>\$ 111,522</u>

\*Recorded at amortized cost

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pool places no limit on the amount it may invest in any one issuer.

At December 31, 2017, the Pool had an investment in an issuer (excluding U.S. Treasury securities, money market investment pools, and mutual funds) greater than 5 percent of total investments of \$3,357,975 in Federal Home Loan Bank. This investment represented 13.1 percent of the Pool's total investments.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

At December 31, 2016, the Pool had investments in issuers (excluding U.S. Treasury securities, money market investment pools, and mutual funds) greater than 5 percent of total investments which included \$4,151,973 in Federal Home Loan Bank and \$2,123,334 in Fannie Mae; these investments represented 15.7 percent and 8.1 percent, respectively, of the Pool's total investments.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Accounting standards require certain assets and liabilities be reported at fair value in the basic financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Pool has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The following tables present information about the Pool's assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ -	\$ 19,535,728	\$ -	\$ 19,535,728
U.S. agencies and pass-throughs	-	5,797,873	-	5,797,873
Mutual funds (stock)	705,806	-	-	705,806
Certificates of deposit	-	611,624	-	611,624
Common stock	<u>2,465,186</u>	<u>-</u>	<u>-</u>	<u>2,465,186</u>
Total	<u>\$ 3,170,992</u>	<u>\$ 25,945,225</u>	<u>\$ -</u>	<u>\$ 29,116,217</u>
<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ -	\$ 17,931,279	\$ -	\$ 17,931,279
U.S. agencies and pass-throughs	-	7,389,478	-	7,389,478
Mutual funds (stock)	643,617	-	-	643,617
Certificates of deposit	-	625,022	-	625,022
Common stock	<u>2,069,552</u>	<u>-</u>	<u>-</u>	<u>2,069,552</u>
Total	<u>\$ 2,713,169</u>	<u>\$ 25,945,779</u>	<u>\$ -</u>	<u>\$ 28,658,948</u>

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

**NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

The following summarizes the valuation methodology used in determining fair value measurements of the significant classes of the Pool's financial instruments:

Level 1 Measurements: The fair values of common stocks and mutual funds invested in equities were determined using prices quoted in active markets.

Level 2 Measurements: The Pool estimates the fair values of U.S. Treasury securities, U.S. agencies and pass-throughs, and certificates of deposit using other inputs such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals.

**NOTE 4 - 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 severity, and other economic 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 these estimates are impacted by 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 claim reserves 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 with industry practices, adjustments to claims reserves are charged to expense in the periods in which the adjustments are made.

The following represents changes in claims and claim adjustment expense reserves for the years ended December 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Claims and Claim Adjustment Expense Reserves, Beginning of year	\$ 7,423,984	\$ 7,845,845	\$ 8,270,806
Incurred:			
Current year	6,150,699	5,285,631	5,479,497
Prior years	(724,268)	(919,269)	(534,733)
Total incurred	<u>5,426,431</u>	<u>4,366,362</u>	<u>4,944,764</u>
Paid:			
Current year	(2,596,806)	(2,224,140)	(2,688,551)
Prior years	(2,224,999)	(2,564,083)	(2,681,174)
Total paid	<u>(4,821,805)</u>	<u>(4,788,223)</u>	<u>(5,369,725)</u>
Claims and Claim Adjustment Expense Reserves, End of year	<u>\$ 8,028,610</u>	<u>\$ 7,423,984</u>	<u>\$ 7,845,845</u>

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

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**NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSE RESERVES (Continued)**

Reserves for claims and claims adjustment expense attributable to covered events in prior years changed as a result of re-estimation 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 5 - 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, 2017 and 2016 totaled \$2,299,540 and \$2,105,292, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2017 and 2016 for reinsurance and excess risk sharing agreements totaled approximately \$4,397,000 and \$4,925,000, respectively.

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 6 - MEMBER DISTRIBUTIONS**

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 charged to operations for qualifying members totaled \$0 and \$18,914 during the years ended December 31, 2017 and 2016, respectively.

In 2017 and 2016, the Board of Directors approved a budgetary cash distribution to members of approximately \$1,340,500 and \$1,000,000, respectively. For the years ended December 31, 2017 and 2016, budgetary cash distributions paid to members totaled \$1,321,705 and \$993,383, respectively.

**NOTE 7 - MEMBER CONTRIBUTIONS**

The following summarizes the components of member contributions for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Member contributions - Operating	\$ 15,496,260	\$ 15,075,489
Member contributions - Cumulative reserve fund	170,180	163,353
Change in unearned premium reserves	<u>(784)</u>	<u>(6,752)</u>
Total member contributions	<u>\$ 15,665,656</u>	<u>\$ 15,232,090</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**CASUALTY CLAIMS DEVELOPMENT INFORMATION**  
Year Ended December 31, 2017

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Required contributions and investment income:										
Earned	\$ 7,280,411	\$ 7,137,094	\$ 6,862,131	\$ 6,609,936	\$ 6,624,968	\$ 6,778,509	\$ 6,804,387	\$ 7,073,497	\$ 7,323,841	\$ 7,465,408
Ceded	<u>1,221,895</u>	<u>1,114,223</u>	<u>960,105</u>	<u>884,370</u>	<u>896,331</u>	<u>814,052</u>	<u>963,223</u>	<u>986,574</u>	<u>993,659</u>	<u>1,301,136</u>
Net	6,058,516	6,022,871	5,902,026	5,725,566	5,728,637	5,964,457	5,841,164	6,086,923	6,330,182	6,164,272
2. Expenses other than allocated claim adjustment expenses	2,032,316	2,052,690	2,001,633	2,133,385	2,227,739	2,384,949	2,468,586	2,548,582	2,615,748	2,684,371
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	5,665,051	4,987,471	5,689,607	4,216,736	3,782,620	5,411,291	3,359,431	3,377,339	3,260,295	4,006,330
Ceded	<u>1,101,690</u>	<u>421,258</u>	<u>1,706,120</u>	<u>694,898</u>	<u>280,266</u>	<u>610,618</u>	<u>283,776</u>	<u>304,007</u>	<u>310,534</u>	<u>1,265,259</u>
Net	4,563,361	4,566,213	3,983,487	3,521,838	3,502,354	4,800,673	3,075,655	3,073,332	2,949,761	2,741,071
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	434,047	478,197	477,826	501,138	718,837	626,461	556,419	371,906	367,129	303,317
One year later	939,105	1,334,999	1,185,524	868,189	1,327,348	1,578,902	951,680	751,983	764,336	-
Two years later	1,717,639	1,941,696	1,667,463	1,358,231	1,696,084	2,184,815	1,428,771	1,212,195	-	-
Three years later	2,318,923	2,266,178	2,009,248	1,553,370	1,891,952	3,010,295	1,506,270	-	-	-
Four years later	2,502,839	2,445,378	2,058,794	2,025,335	2,217,169	3,267,189	-	-	-	-
Five years later	2,583,448	2,570,836	2,088,531	2,300,339	2,433,952	-	-	-	-	-
Six years later	2,596,617	2,570,482	2,130,466	2,376,062	-	-	-	-	-	-
Seven years later	2,600,389	2,573,636	2,126,871	-	-	-	-	-	-	-
Eight years later	2,629,005	2,573,636	-	-	-	-	-	-	-	-
Nine years later	2,636,327	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	-	-	2,149,898	2,782,406	51,569	950,117	7,069	64,629	504,632	1,265,259
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	4,563,361	4,566,213	3,983,487	3,521,838	3,502,354	4,800,673	3,075,655	3,073,332	2,949,761	2,741,071
One year later	4,214,489	4,011,253	3,474,777	3,185,845	2,554,661	4,140,337	2,522,796	2,563,388	2,495,330	-
Two years later	3,272,262	3,919,516	3,074,912	2,580,519	2,412,933	4,090,216	1,926,855	2,562,730	-	-
Three years later	2,759,585	3,012,831	2,405,670	2,479,758	2,353,549	4,086,606	1,736,401	-	-	-
Four years later	2,695,271	2,610,148	2,214,896	2,654,527	2,536,483	3,851,886	-	-	-	-
Five years later	2,638,476	2,625,558	2,168,614	2,724,039	2,766,367	-	-	-	-	-
Six years later	2,635,115	2,649,638	2,181,750	2,440,411	-	-	-	-	-	-
Seven years later	2,617,084	2,578,808	2,152,667	-	-	-	-	-	-	-
Eight years later	2,642,084	2,573,636	-	-	-	-	-	-	-	-
Nine years later	<u>2,656,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (1,907,116)</u>	<u>\$ (1,992,577)</u>	<u>\$ (1,830,820)</u>	<u>\$ (1,081,427)</u>	<u>\$ (735,987)</u>	<u>\$ (948,787)</u>	<u>\$ (1,339,254)</u>	<u>\$ (510,602)</u>	<u>\$ (454,431)</u>	<u>\$ -</u>

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
PROPERTY CLAIMS DEVELOPMENT INFORMATION  
Year Ended December 31, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required contributions and investment income:										
Earned	\$ 6,668,098	\$ 6,771,733	\$ 6,783,382	\$ 6,850,634	\$ 7,009,382	\$ 7,281,816	\$ 7,494,468	\$ 7,829,462	\$ 8,278,678	\$ 8,615,542
Ceded	948,429	1,063,882	1,119,658	1,110,532	885,606	827,521	839,266	918,959	971,290	998,404
Net	5,719,669	5,707,851	5,663,724	5,740,102	6,123,776	6,454,295	6,655,202	6,910,503	7,307,388	7,617,138
2. Expenses other than allocated claim adjustment expenses	2,391,094	2,481,997	2,509,725	2,556,423	2,618,646	2,855,097	2,999,159	3,133,086	3,314,705	3,438,333
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	4,777,256	3,080,269	3,053,830	2,778,501	3,536,170	1,909,062	4,468,418	2,777,384	3,906,777	3,436,129
Ceded	463,369	704,459	317,665	415,974	576,233	21,127	1,182,208	374,408	1,551,330	26,501
Net	4,313,887	2,375,810	2,736,165	2,362,527	2,959,937	1,887,935	3,286,210	2,402,976	2,355,447	3,409,628
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	2,912,543	2,034,838	2,402,760	1,951,909	2,133,072	1,579,719	2,289,237	2,313,456	1,876,586	2,293,489
One year later	3,535,737	2,394,347	2,496,917	2,445,465	3,025,524	1,788,036	3,231,270	2,444,976	2,543,350	-
Two years later	3,558,202	2,346,005	2,501,900	2,450,028	3,081,530	1,790,335	3,214,038	2,458,934	-	-
Three years later	3,568,698	2,345,936	2,507,511	2,449,853	3,082,226	1,792,586	3,213,532	-	-	-
Four years later	3,567,831	2,360,188	2,552,055	2,449,278	3,082,226	1,792,586	-	-	-	-
Five years later	3,572,462	2,360,188	2,552,055	2,449,278	3,084,266	-	-	-	-	-
Six years later	3,572,196	2,359,928	2,553,037	2,449,278	-	-	-	-	-	-
Seven years later	3,571,662	2,359,928	2,553,037	-	-	-	-	-	-	-
Eight years later	3,570,920	2,359,928	-	-	-	-	-	-	-	-
Nine years later	3,570,920	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	764,881	704,459	283,819	315,222	535,679	21,127	1,033,225	311,816	1,648,179	26,501
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	4,313,887	2,375,810	2,736,165	2,362,527	2,959,937	1,887,935	3,286,210	2,402,976	2,355,447	3,409,628
One year later	3,712,790	2,426,014	2,488,333	2,434,318	3,164,495	1,796,703	3,247,430	2,476,507	2,534,857	-
Two years later	3,589,594	2,366,194	2,502,075	2,450,867	3,082,331	1,791,274	3,225,734	2,458,939	-	-
Three years later	3,581,952	2,360,602	2,550,250	2,450,467	3,082,226	1,793,525	3,223,283	-	-	-
Four years later	3,581,086	2,360,181	2,576,121	2,449,892	3,082,226	1,793,525	-	-	-	-
Five years later	3,574,944	2,360,188	2,566,257	2,449,892	3,084,266	-	-	-	-	-
Six years later	3,574,677	2,359,928	2,553,041	2,449,892	-	-	-	-	-	-
Seven years later	3,574,144	2,359,928	2,553,041	-	-	-	-	-	-	-
Eight years later	3,573,401	2,359,928	-	-	-	-	-	-	-	-
Nine years later	3,570,920	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (742,967)</u>	<u>\$ (15,882)</u>	<u>\$ (183,124)</u>	<u>\$ 87,365</u>	<u>\$ 124,329</u>	<u>\$ (94,410)</u>	<u>\$ (62,927)</u>	<u>\$ 55,963</u>	<u>\$ 179,410</u>	<u>\$ -</u>

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
STATEMENT OF RECONCILIATION OF CLAIMS AND CLAIMS ADJUSTMENT EXPENSE RESERVES BY TYPE OF CONTRACT  
Years Ended December 31, 2017 and 2016

	<u>Fiscal and Policy Years Ended December 31</u>					
	<u>2017</u>			<u>2016</u>		
	<u>Casualty</u>	<u>Property</u>	<u>Total</u>	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
<b>Claims and Claim Adjustment Expense Reserves -</b>						
Beginning of year	\$ 6,897,695	\$ 526,289	\$ 7,423,984	\$ 7,721,427	\$ 124,418	\$ 7,845,845
<b>Incurred Claims and Claim Adjustment Expenses</b>						
Provision for claims incurred in current year	2,741,071	3,409,628	6,150,699	2,925,632	2,359,999	5,285,631
Change in provision for claims incurred in prior years expenses	<u>(882,918)</u>	<u>158,650</u>	<u>(724,268)</u>	<u>(958,856)</u>	<u>39,587</u>	<u>(919,269)</u>
	1,858,153	3,568,278	5,426,431	1,966,776	2,399,586	4,366,362
<b>Payments</b>						
Claims and claim adjustment expenses paid for claims incurred in current year	(303,317)	(2,293,489)	(2,596,806)	(343,000)	(1,881,140)	(2,224,140)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(1,543,046)</u>	<u>(681,953)</u>	<u>(2,224,999)</u>	<u>(2,447,508)</u>	<u>(116,575)</u>	<u>(2,564,083)</u>
Total payments	<u>(1,846,363)</u>	<u>(2,975,442)</u>	<u>(4,821,805)</u>	<u>(2,790,508)</u>	<u>(1,997,715)</u>	<u>(4,788,223)</u>
<b>Claims and Claim Adjustment Expense Reserves -</b>						
End of year	<u>\$ 6,909,485</u>	<u>\$ 1,119,125</u>	<u>\$ 8,028,610</u>	<u>\$ 6,897,695</u>	<u>\$ 526,289</u>	<u>\$ 7,423,984</u>

**INDEPENDENT AUDITOR'S 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**

To 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 (the "Pool"), which comprise the statement of net position as of December 31, 2017, and the related statements of 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 19, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Pool'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.

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(Continued)

## 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Simsbury, Connecticut  
April 19, 2018



# 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 5, 2018**