

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS WITH REQUIRED
SUPPLEMENTARY INFORMATION**

December 31, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Ohio Township Association Risk Management Authority
31555 W 14 Mile Road
Farmington Hills, MI 48334

We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Crowe LLP, for the audit period January 1, 2019 through December 31, 2019. 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 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

June 8, 2020

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OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS WITH REQUIRED
SUPPLEMENTARY INFORMATION
December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Township Association Risk Management Authority (the "Pool"), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Township Association Risk Management Authority as of December 31, 2019 and 2018, 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 Matter

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 reconciliation of claims and claim adjustment expense reserves 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 May 18, 2020 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 LLP

Crowe LLP

Simsbury, Connecticut
May 18, 2020

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 2017 through 2019, as well as its financial condition at December 31, 2019, 2018 and 2017. 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 1,035 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., a Sedgwick Company ("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, 2019, 2018 and 2017

Financial Overview and Highlights

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and cash equivalents	\$ 5,001,840	\$ 3,660,311	\$ 4,126,634
Investments, at fair value	30,205,480	29,437,105	27,711,023
Member contributions to be billed in the future	8,660,234	7,183,649	6,909,485
Other assets	<u>2,447,981</u>	<u>1,312,855</u>	<u>1,263,590</u>
Total assets	46,315,535	41,593,920	40,010,732
LIABILITIES			
Claims and claim adjustment expense reserves	10,519,942	7,874,610	8,028,610
Unearned premium reserves	13,927	14,429	29,861
Other liabilities	<u>1,037,697</u>	<u>811,748</u>	<u>616,994</u>
Total liabilities	<u>11,571,566</u>	<u>8,700,787</u>	<u>8,675,465</u>
Net position - unrestricted	<u>\$ 34,743,969</u>	<u>\$ 32,893,133</u>	<u>\$ 31,335,267</u>

Approximately 76 percent in 2019, and 80 percent in 2018 and 2017 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, 2019. At December 31, 2019, 2018 and 2017, 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.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, 2018 and 2017

The Pool's claims and claim adjustment expense reserves totaled \$10,519,942 in 2019, \$7,874,610 in 2018, and \$8,028,610 in 2017. The 34% increase from 2018 to 2019 was due in large part to an increase in weather-related claim frequency and severity. 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 claim reserves are charged to expense in the periods in which the adjustments are made. During the year ended December 31, 2019, the Pool decreased its provision for claims incurred in prior years by \$18,508 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 2 percent, from \$5,594,193 in 2018 to \$5,507,129 in 2019.

Net position at December 31, 2019 increased \$1,850,836 from the year ended December 31, 2018 due to growth in contributions and favorable returns on investments.

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, 2018 and 2017

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenue			
Member contributions	\$ 16,439,868	\$ 15,921,738	\$ 15,665,656
Reinsurance premiums ceded	(1,792,005)	(1,876,657)	(2,299,540)
Change in contributions that will be billed in the future to pay unpaid claims	<u>1,476,585</u>	<u>274,164</u>	<u>11,790</u>
Total operating revenue	16,124,448	14,319,245	13,377,906
Operating expenses			
Provision for claims	8,152,461	5,440,193	5,426,431
General and administrative expenses	<u>6,719,190</u>	<u>6,506,196</u>	<u>6,122,704</u>
Total operating expenses	<u>14,871,651</u>	<u>11,946,389</u>	<u>11,549,135</u>
Net operating income	1,252,797	2,372,856	1,828,771
Nonoperating revenue (expense):			
Interest and dividend income	587,483	562,278	555,671
Net realized and unrealized gains (losses) on investments	1,205,597	(361,563)	65,627
Budgetary distributions	<u>(1,195,041)</u>	<u>(988,077)</u>	<u>(1,321,705)</u>
Total nonoperating revenue (expense)	598,039	(787,362)	(700,407)
Withdrawals - Member capital	<u>-</u>	<u>(27,628)</u>	<u>(22,240)</u>
Change in net position	1,850,836	1,557,866	1,106,124
Net position, beginning of year	<u>32,893,133</u>	<u>31,335,267</u>	<u>30,229,143</u>
Net position, end of year	<u>\$ 34,743,969</u>	<u>\$ 32,893,133</u>	<u>\$ 31,335,267</u>

The Pool's membership increased from 1,018 members in 2018 to 1,035 members in 2019. Member contributions increased from \$15,921,738 in 2018 to \$16,439,868 in 2019.

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, 2018 and 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. For 2019, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims. For 2017 through 2018, 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 \$1,792,000 and \$1,877,000 for the years ended December 31, 2019 and 2018, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2019 and 2018 for expected recoveries under the reinsurance and excess risk sharing agreements totaled approximately \$5,169,000 and \$4,337,000, respectively.

In accordance with generally accepted accounting principles, all investments maintained by the Pool must be reported at fair 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 \$1,205,597 and \$(361,563) during December 31, 2019 and 2018, respectively, as a result of market conditions that occurred over each year.

Total operating expenses of the Pool increased in 2019 from 2018, totaling \$14,871,651 and \$11,946,389, or 90 percent and 75 percent of member contributions, respectively. This increase is primarily due to an increase in incurred claim and claim adjustment expenses in the current year.

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. General and administrative expenses are expected to remain consistent with amounts reported in 2019, although the impacts of the coronavirus are highly uncertain and cannot be predicted at this time. 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 is available 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
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,001,840	\$ 3,660,311
Investment securities - at fair value	10,867,270	9,035,835
Member contribution receivable	1,251,813	1,099,851
Reinsurance receivable on paid claims	1,038,485	46,318
Deductible receivable	2,500	11,000
Member contributions to be billed in the future	2,900,000	2,950,000
Accrued investment income	<u>155,183</u>	<u>155,686</u>
Total current assets	21,217,091	16,959,001
Noncurrent assets:		
Investment securities, at fair value	19,338,210	20,401,270
Member contributions to be billed in the future	<u>5,760,234</u>	<u>4,233,649</u>
Total noncurrent assets	25,098,444	24,634,919
Total assets	46,315,535	41,593,920
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	717,534	621,585
Claims and claim adjustment expense reserves	4,759,708	3,640,961
Reinsurance premiums payable	<u>320,163</u>	<u>190,163</u>
Total current liabilities	5,797,405	4,452,709
Noncurrent liabilities:		
Claims and claim adjustment expense reserves	5,760,234	4,233,649
Unearned premium reserves	<u>13,927</u>	<u>14,429</u>
Total noncurrent liabilities	5,774,161	4,248,078
Total liabilities	<u>11,571,566</u>	<u>8,700,787</u>
Net position - unrestricted	<u>\$ 34,743,969</u>	<u>\$ 32,893,133</u>

See Notes to Basic Financial Statements

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Member contributions	\$ 16,439,868	\$ 15,921,738
Reinsurance premiums ceded	(1,792,005)	(1,876,657)
Change in contributions that will be billed in the future to pay unpaid claims	<u>1,476,585</u>	<u>274,164</u>
Total operating revenue	16,124,448	14,319,245
Operating expenses:		
Claims and claim adjustment expenses	8,152,461	5,440,193
Marketing and administrator fees	4,892,080	4,724,456
Other	<u>1,827,110</u>	<u>1,781,740</u>
Total operating expenses	<u>14,871,651</u>	<u>11,946,389</u>
Operating income	1,252,797	2,372,856
Nonoperating revenue (expense):		
Interest and dividend income	587,483	562,278
Net realized and unrealized gains (losses) on investments	1,205,597	(361,563)
Budgetary distributions	<u>(1,195,041)</u>	<u>(988,077)</u>
Total nonoperating revenue (expense)	598,039	(787,362)
Withdrawals - Member capital	<u>-</u>	<u>(27,628)</u>
Change in net position	1,850,836	1,557,866
Net position, beginning of year	<u>32,893,133</u>	<u>31,335,267</u>
Net position, end of year	<u>\$ 34,743,969</u>	<u>\$ 32,893,133</u>

See Notes to Basic Financial Statements

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
 STATEMENTS OF CASH FLOW
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from members	\$ 16,287,404	\$ 15,892,255
Cash received from reinsurance recoveries	906,568	486,829
Cash paid for claims	(7,397,364)	(6,118,679)
Cash paid for reinsurance premiums	(1,662,005)	(1,776,214)
Cash paid for administrative and general expenses	<u>(6,623,241)</u>	<u>(6,411,885)</u>
Net cash flows from operating activities	<u>1,511,362</u>	<u>2,072,306</u>
Cash flows from investing activities		
Investment income received	587,986	564,721
Purchase of investments	(19,117,318)	(19,143,687)
Proceeds from sales and maturities of investments	<u>19,554,540</u>	<u>17,056,042</u>
Net cash flows from investing activities	<u>1,025,208</u>	<u>(1,522,924)</u>
Cash flows from noncapital financing activities		
Payments for member withdrawals - capitalization	-	(27,628)
Payments for member distributions - budgetary	<u>(1,195,041)</u>	<u>(988,077)</u>
Net cash flows from noncapital financing activities	<u>(1,195,041)</u>	<u>(1,015,705)</u>
 Increase (decrease) in cash and cash equivalents	 1,341,529	 (466,323)
Cash and cash equivalents, beginning of year	<u>3,660,311</u>	<u>4,126,634</u>
Cash and cash equivalents, end of year	<u>\$ 5,001,840</u>	<u>\$ 3,660,311</u>

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

	<u>2019</u>	<u>2018</u>
Net operating income	\$ 1,252,797	\$ 2,372,856
Changes in operating assets and liabilities:		
Member contributions receivable	(151,962)	(14,051)
Reinsurance receivable on paid claims	(992,167)	(26,657)
Deductible receivable	8,500	(11,000)
Member contributions to be billed in the future	(1,476,585)	(274,164)
Unearned premium reserves	(502)	(15,432)
Claims and claim adjustment expense reserves	2,645,332	(154,000)
Reinsurance premiums payable	130,000	100,443
Accounts payable and accrued expenses	<u>95,949</u>	<u>94,311</u>
Net cash flows from operating activities	<u>\$ 1,511,362</u>	<u>\$ 2,072,306</u>

See Notes to Basic Financial Statements

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 1,035 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., a Sedgwick Company ("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, 2019 and 2018. 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.

(Continued)

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, 2019 and 2018. There was no bad debt expense recorded for the years ended December 31, 2019 and 2018.

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.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 operates in a manner whereby it continues to be tax exempt.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on net position or the change in net position.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits and investments are reported in the basic financial statements for December 31, 2019 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits:		
Cash	\$ 2,602,938	\$ -
Certificates of deposit	49,998	100,434
	<u>2,652,936</u>	<u>100,434</u>
Investments:		
U.S. Treasury securities	2,348,904	22,463,397
Common stock	-	2,542,562
Mutual fund (stock)	-	1,001,382
U.S. agencies and pass-throughs	-	4,097,705
Total investments	<u>2,348,904</u>	<u>30,105,046</u>
Total	<u>\$ 5,001,840</u>	<u>\$ 30,205,480</u>

Deposits and investments are reported in the basic financial statements for December 31, 2018 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits:		
Cash	\$ 2,667,790	\$ -
Investments:		
U.S. Treasury securities	992,521	20,831,310
Common stock	-	2,246,564
Mutual fund (stock)	-	705,608
U.S. agencies and pass-throughs	-	5,653,623
Total investments	<u>992,521</u>	<u>29,437,105</u>
Total	<u>\$ 3,660,311</u>	<u>\$ 29,437,105</u>

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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, 2019 and 2018, the Pool had \$1,702,004 and \$2,182,600, 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, 2019, the Pool had the following weighted average maturities of investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 24,812,301	2.74
U.S. agencies and pass-throughs	<u>4,097,705</u>	<u>2.01</u>
Total fair value	<u>\$ 28,910,006</u>	
Portfolio weighted average maturity		<u>2.64</u>

At December 31, 2018, the Pool had the following weighted average maturities of investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 21,823,831	3.02
U.S. agencies and pass-throughs	<u>5,653,623</u>	<u>2.51</u>
Total fair value	<u>\$ 27,477,454</u>	
Portfolio weighted average maturity		<u>2.92</u>

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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, 2019 and 2018, the credit quality ratings of debt securities by investment type (other than the U.S. Treasury securities) are as follows:

<u>Investment Type - Rating</u>	<u>Fair Value</u> <u>2019</u>	<u>Fair Value</u> <u>2018</u>
U.S. agencies and pass-throughs - Aaa	\$ <u>4,097,705</u>	\$ <u>5,653,623</u>

The rating organization used by the Pool to rate its investments was Moody'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, 2019, the Pool had an investment in an issuer (excluding U.S. Treasury securities and mutual funds) greater than 5 percent of total investments of \$2,435,752 in Federal Home Loan Bank. This investment represented 7.5 percent of the Pool's total investments.

At December 31, 2018, the Pool had an investment in an issuer (excluding U.S. Treasury securities and mutual funds) greater than 5 percent of total investments of \$3,341,421 in Federal Home Loan Bank. This investment represented 11.0 percent 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.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following tables present information about the Pool's assets measured at fair value on a recurring basis at December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ -	\$ 24,812,301	\$ -	24,812,301
U.S. agencies and pass-throughs	-	4,097,705	-	4,097,705
Mutual funds (stock)	1,001,382	-	-	1,001,382
Common stock	<u>2,542,562</u>	<u>-</u>	<u>-</u>	<u>2,542,562</u>
Total	<u>\$ 3,543,944</u>	<u>\$ 28,910,006</u>	<u>\$ -</u>	<u>\$ 32,453,950</u>

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ -	\$ 21,823,831	\$ -	\$ 21,823,831
U.S. agencies and pass-throughs	-	5,653,623	-	5,653,623
Mutual funds (stock)	705,608	-	-	705,608
Common stock	<u>2,246,564</u>	<u>-</u>	<u>-</u>	<u>2,246,564</u>
Total	<u>\$ 2,952,172</u>	<u>\$ 27,477,454</u>	<u>\$ -</u>	<u>\$ 30,429,626</u>

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.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Claims and Claim Adjustment Expense Reserves, Beginning of year	\$ 7,874,610	\$ 8,028,610	\$ 7,423,984
Incurred:			
Current year	8,170,969	6,203,877	6,150,699
Prior years	<u>(18,508)</u>	<u>(763,684)</u>	<u>(724,268)</u>
Total incurred	8,152,461	5,440,193	5,426,431
Paid:			
Current year	(3,421,356)	(2,453,822)	(2,596,806)
Prior years	<u>(2,085,773)</u>	<u>(3,140,371)</u>	<u>(2,224,999)</u>
Total paid	<u>(5,507,129)</u>	<u>(5,594,193)</u>	<u>(4,821,805)</u>
Claims and Claim Adjustment Expense Reserves, End of year	<u>\$ 10,519,942</u>	<u>\$ 7,874,610</u>	<u>\$ 8,028,610</u>

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.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5 - REINSURANCE AND EXCESS RISK SHARING AGREEMENTS

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.

The Pool uses these 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 APEEP, 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 APEEP during the years ended December 31, 2019 and 2018 totaled \$1,792,005 and \$1,876,657, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2019 and 2018 for reinsurance and excess risk sharing agreements totaled approximately \$5,169,000 and \$4,337,000, respectively.

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. There were no CRF distributions charged to operations for qualifying members during the years ended December 31, 2019 and 2018.

In 2019 and 2018, the Board of Directors approved a budgetary cash distribution to members of \$1,200,000 and \$1,000,000, respectively. For the years ended December 31, 2019 and 2018, budgetary cash distributions paid to members totaled \$1,195,041 and \$988,077, respectively.

NOTE 7 - MEMBER CONTRIBUTIONS

The following summarizes the components of member contributions for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Member contributions - Operating	\$ 16,346,493	\$ 15,812,061
Member contributions - Cumulative reserve fund	92,873	94,245
Change in unearned premium reserves	<u>502</u>	<u>15,432</u>
Total member contributions	<u>\$ 16,439,868</u>	<u>\$ 15,921,738</u>

NOTE 8 - SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The extent to which the coronavirus may impact the Pool's business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

REQUIRED SUPPLEMENTARY INFORMATION

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
CASUALTY CLAIMS DEVELOPMENT INFORMATION
Year Ended December 31, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contributions and investment income:										
Earned	\$ 6,862,131	\$ 6,609,936	\$ 6,624,968	\$ 6,778,509	\$ 6,804,387	\$ 7,073,497	\$ 7,323,841	\$ 7,465,408	\$ 7,640,040	\$ 7,764,525
Ceded	960,105	884,370	896,331	814,052	963,223	986,574	993,659	1,301,136	1,046,864	801,645
Net	5,902,026	5,725,566	5,728,637	5,964,457	5,841,164	6,086,923	6,330,182	6,164,272	6,593,176	6,962,880
2. Expenses other than allocated claim adjustment expenses	2,001,633	2,133,385	2,227,739	2,384,949	2,468,586	2,548,582	2,615,748	2,684,371	2,871,159	2,925,217
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	5,689,607	4,216,736	3,782,620	5,411,291	3,359,431	3,377,339	3,260,295	3,987,011	4,799,163	4,425,711
Ceded	1,706,120	694,898	280,266	610,618	283,776	304,007	310,534	1,265,259	1,236,576	1,017,832
Net	3,983,487	3,521,838	3,502,354	4,800,673	3,075,655	3,073,332	2,949,761	2,721,752	3,562,587	3,407,879
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	477,339	515,733	718,837	626,461	556,419	371,906	367,129	284,635	465,917	495,857
One year later	1,185,035	868,189	1,327,348	1,578,902	951,680	751,983	764,336	816,445	894,909	-
Two years later	1,666,975	1,358,231	1,696,084	2,184,815	1,428,771	1,212,195	1,113,061	1,572,254	-	-
Three years later	2,009,248	1,553,370	1,891,952	3,010,295	1,506,270	2,196,782	1,281,164	-	-	-
Four years later	2,058,794	2,025,335	2,217,169	3,267,189	1,540,857	2,384,877	-	-	-	-
Five years later	2,088,531	2,300,339	2,433,952	3,378,211	1,668,282	-	-	-	-	-
Six years later	2,130,466	2,376,062	2,458,831	3,463,722	-	-	-	-	-	-
Seven years later	2,126,234	2,408,676	2,460,304	-	-	-	-	-	-	-
Eight years later	2,126,335	2,410,442	-	-	-	-	-	-	-	-
Nine years later	2,126,335	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	2,149,898	2,782,406	-	2,626,006	(6,945)	95,336	110,059	164,734	490,670	1,017,832
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	3,983,487	3,521,838	3,502,354	4,800,673	3,075,655	3,073,332	2,949,761	2,721,752	3,562,587	3,407,879
One year later	3,474,777	3,185,845	2,554,661	4,140,337	2,522,796	2,563,388	2,495,330	2,606,228	3,290,739	-
Two years later	3,074,912	2,580,519	2,412,933	4,090,216	1,926,855	2,562,730	2,225,097	3,189,708	-	-
Three years later	2,405,670	2,479,758	2,353,549	4,086,606	1,736,401	2,744,468	1,981,510	-	-	-
Four years later	2,214,896	2,654,527	2,536,483	3,851,886	1,661,313	2,859,335	-	-	-	-
Five years later	2,168,614	2,724,039	2,766,367	3,767,892	1,665,692	-	-	-	-	-
Six years later	2,181,750	2,440,411	2,564,114	3,947,483	-	-	-	-	-	-
Seven years later	2,152,667	2,429,367	2,520,332	-	-	-	-	-	-	-
Eight years later	2,126,335	2,429,367	-	-	-	-	-	-	-	-
Nine years later	2,126,335	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ (1,857,152)	\$ (1,092,471)	\$ (982,022)	\$ (853,190)	\$ (1,409,963)	\$ (213,997)	\$ (968,251)	\$ 467,956	\$ (271,848)	\$ -

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
PROPERTY CLAIMS DEVELOPMENT INFORMATION
Year Ended December 31, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contributions and investment income:										
Earned	\$ 6,783,382	\$ 6,850,634	\$ 7,009,382	\$ 7,281,816	\$ 7,494,468	\$ 7,829,462	\$ 8,278,678	\$ 8,615,542	\$ 8,922,396	\$ 9,355,022
Ceded	1,119,658	1,110,532	885,606	827,521	839,266	918,959	971,290	998,404	829,793	1,044,204
Net	5,663,724	5,740,102	6,123,776	6,454,295	6,655,202	6,910,503	7,307,388	7,617,138	8,092,603	8,310,818
2. Expenses other than allocated claim adjustment expenses	2,509,725	2,556,423	2,618,646	2,855,097	2,999,159	3,133,086	3,314,705	3,438,333	3,635,038	3,793,973
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	3,053,830	2,778,501	3,536,170	1,909,062	4,468,418	2,777,384	3,906,777	3,435,572	2,652,526	6,569,813
Ceded	317,665	415,974	576,233	21,127	1,182,208	374,408	1,551,330	26,501	-	1,806,723
Net	2,736,165	2,362,527	2,959,937	1,887,935	3,286,210	2,402,976	2,355,447	3,409,071	2,652,526	4,763,090
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	2,402,760	1,951,908	2,133,072	1,579,719	2,292,519	2,313,456	1,876,586	2,292,932	1,999,143	2,925,499
One year later	2,496,916	2,445,465	3,025,524	1,788,036	3,231,088	2,444,976	2,543,350	3,227,595	2,393,326	-
Two years later	2,501,900	2,450,028	3,081,530	1,790,335	3,214,038	2,458,934	2,547,263	3,178,166	-	-
Three years later	2,507,511	2,449,853	3,082,226	1,792,586	3,213,532	2,485,176	2,546,484	-	-	-
Four years later	2,552,055	2,449,278	3,082,226	1,792,586	3,213,828	2,478,880	-	-	-	-
Five years later	2,552,055	2,449,278	3,084,266	1,792,782	3,213,427	-	-	-	-	-
Six years later	2,553,037	2,449,278	3,084,266	1,792,782	-	-	-	-	-	-
Seven years later	2,553,037	2,449,278	3,084,266	-	-	-	-	-	-	-
Eight years later	2,553,037	2,449,278	-	-	-	-	-	-	-	-
Nine years later	2,553,037	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	283,819	315,222	535,679	21,127	780,115	311,816	956,142	172,484	-	1,806,723
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	2,736,165	2,362,527	2,959,937	1,887,935	3,286,210	2,402,976	2,355,447	3,409,071	2,652,526	4,763,090
One year later	2,488,333	2,434,318	3,164,495	1,796,703	3,247,430	2,476,507	2,534,857	3,234,497	2,401,154	-
Two years later	2,502,075	2,450,867	3,082,331	1,791,274	3,225,734	2,458,939	2,551,757	3,179,434	-	-
Three years later	2,550,250	2,450,467	3,082,226	1,793,525	3,223,283	2,500,709	2,546,719	-	-	-
Four years later	2,576,121	2,449,892	3,082,226	1,793,525	3,221,778	2,482,609	-	-	-	-
Five years later	2,566,257	2,449,892	3,084,266	1,793,721	3,221,378	-	-	-	-	-
Six years later	2,553,041	2,449,892	3,084,266	1,793,721	-	-	-	-	-	-
Seven years later	2,553,041	2,449,278	3,084,266	-	-	-	-	-	-	-
Eight years later	2,553,037	2,449,278	-	-	-	-	-	-	-	-
Nine years later	2,553,037	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ (183,128)	\$ 86,751	\$ 124,329	\$ (94,214)	\$ (64,832)	\$ 79,633	\$ 191,272	\$ (229,637)	\$ (251,372)	\$ -

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY
RECONCILIATION OF CLAIMS AND CLAIMS ADJUSTMENT EXPENSE RESERVES BY TYPE OF CONTRACT
Years Ended December 31, 2019 and 2018

	Fiscal and Policy Years Ended December 31					
	<u>Casualty</u>	<u>2019</u> <u>Property</u>	<u>Total</u>	<u>Casualty</u>	<u>2018</u> <u>Property</u>	<u>Total</u>
Claims and Claim Adjustment Expense Reserves -						
Beginning of year	\$ 7,183,649	\$ 690,961	\$ 7,874,610	\$ 6,909,485	\$ 1,119,125	\$ 8,028,610
Incurred Claims and Claim Adjustment Expenses						
Provision for claims incurred in current year	3,407,879	4,763,090	8,170,969	3,550,629	2,653,248	6,203,877
Change in provision for claims incurred in prior years expenses	<u>313,342</u>	<u>(331,850)</u>	<u>(18,508)</u>	<u>(650,161)</u>	<u>(113,523)</u>	<u>(763,684)</u>
	3,721,221	4,431,240	8,152,461	2,900,468	2,539,725	5,440,193
Payments						
Claims and claim adjustment expenses paid for claims incurred in current year	(495,857)	(2,925,499)	(3,421,356)	(453,958)	(1,999,864)	(2,453,822)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(1,748,779)</u>	<u>(336,994)</u>	<u>(2,085,773)</u>	<u>(2,172,346)</u>	<u>(968,025)</u>	<u>(3,140,371)</u>
Total payments	<u>(2,244,636)</u>	<u>(3,262,493)</u>	<u>(5,507,129)</u>	<u>(2,626,304)</u>	<u>(2,967,889)</u>	<u>(5,594,193)</u>
Claims and Claim Adjustment Expense Reserves -						
End of year	<u>\$ 8,660,234</u>	<u>\$ 1,859,708</u>	<u>\$ 10,519,942</u>	<u>\$ 7,183,649</u>	<u>\$ 690,961</u>	<u>\$ 7,874,610</u>

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**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 of
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, 2019, 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 May 18, 2020.

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.

(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.

A handwritten signature in black ink that reads "CROWE LLP". The letter "C" is large and stylized, with the rest of the letters in a cursive, handwritten style.

Crowe LLP

Simsbury, Connecticut
May 18, 2020

OHIO AUDITOR OF STATE KEITH FABER



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 18, 2020**