

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Basic Financial Statements and Schedules

December 31, 2005 and 2004

(With Independent Auditors' Report Thereon)



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Plante & Moran, LLP, for the audit period January 1, 2005 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 18, 2006

This Page is Intentionally Left Blank.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Table of Contents

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Statement of Net Assets	6-7
Statement of Revenue, Expenses, and Changes in Net Assets	8-9
Statement of Cash Flows	10-11
Notes to Basic Financial Statements	12-19
Required Supplementary Information	
Schedule of Claims Development	
Casualty	20
Property	21
Report on Compliance with Laws and Regulations and Internal Controls	22-24

This Page is Intentionally Left Blank.

Independent Auditor's Report

To the Board of Directors
Ohio Township Association
Risk Management Authority

We have audited the accompanying statement of net assets of Ohio Township Association Risk Management Authority as of December 31, 2005 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Township Association Risk Management Authority as of December 31, 2004 were audited by other auditors, whose report dated April 8, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at December 31, 2005 and the changes in financial position, including cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2006 on our consideration of Ohio Township Association Risk Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
Ohio Township Association
Risk Management Authority

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

Plante & Moran, PLLC

March 10, 2006

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Management's Discussion and Analysis

December 31, 2005 and 2004

Using this Annual Report

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

Financial Highlights for Fiscal Years 2005 and 2004

- The Pool's net assets as of December 31, 2005 and 2004 are \$25,912,827 and \$24,091,408, respectively. This represents an increase of \$1,821,419, or 7.56%, from 2004 to 2005. The increase in net assets results from operating income of \$675,290, investment income and capitalization contributions. The Pool maintains a member contribution to net assets ratio of 0.36:1 and 0.37:1 at December 31, 2005 and 2004, respectively. Premiums written to surplus ratio is a commonly used insurance industry benchmark. A ratio of less than 1:1 is considered very good. The Pool's member contributions are equivalent to industry premiums written, and net assets are equivalent to surplus.
- Operating revenue in 2005 decreased 5.16%, or \$581,500, to \$10,691,888 from \$11,273,388 in 2004. The decrease is primarily due to the decrease of \$1,103,022 in contributions that will be billed in the future to pay unpaid claims. Operating contributions are derived from member contributions for risk sharing protection. Member contributions increased by \$885,726 or 8.22%. In addition, new members, as further detailed in Note 1 to the basic financial statements, are also required to provide capitalization contributions for the establishment of a cumulative reserve fund as detailed in the contract between the member and the Pool. These contributions are reflected separately in the statement of revenue, expenses, and change in net assets and totaled \$587,571 and \$580,864 for the years ended December 31, 2005 and 2004, respectively.
- Claims and claim adjustment expenses paid increased from \$3,729,295 in 2004 to \$4,470,326 in 2005. The change in loss and loss adjustment expense incurred (net of reinsurance) decreased from \$2,470,997 in 2004 to \$1,357,864 in 2005, primarily related to casualty claims. The claims and claims adjustment expense reserves increased from \$10,697,360 in 2004 to \$12,265,954 in 2005.
- General and administrative expenses increased 5.6%, or \$222,046, to \$4,188,408 in 2005 from \$3,966,362 in 2004.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Management's Discussion and Analysis

December 31, 2005 and 2004

Financial Overview

Approximately 65.26% in 2005 and 66.01% in 2004 of the assets consist of cash, cash equivalents, and investments. Approximately 89.20% in 2005 and 91.98% in 2004 of total liabilities consist of reserves for claims.

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

	December 31, 2005	December 31, 2004	Percent Change
Cash and cash equivalents	\$ 1,676,065	\$ 3,558,332	-52.90%
Investment securities, at fair value	24,206,374	20,022,681	20.89%
Unpaid claims to be billed in the future	11,627,150	10,303,736	12.84%
Other assets	2,153,845	1,836,214	17.30%
Total assets	<u>39,663,434</u>	<u>35,720,963</u>	11.04%
Claims and claim adjustment expense reserves	12,265,954	10,697,360	14.66%
Unearned premium reserves	588,401	648,525	-9.27%
Other liabilities	896,252	283,670	215.95%
Total liabilities	<u>13,750,607</u>	<u>11,629,555</u>	18.24%
Net Assets - Unrestricted	<u>\$ 25,912,827</u>	<u>\$ 24,091,408</u>	7.56%

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

To reduce the Pool's exposure to large specific claims, the Pool entered into excess claims contracts with American Public Entity Excess Pool (APEEP) to recover specified claim losses in excess of stated amounts in the contract.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Management's Discussion and Analysis

December 31, 2005 and 2004

Financial Overview (Continued)

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

	Year ended December 31		Percentage Change
	2005	2004	
Operating Revenues	\$10,691,888	\$11,273,388	-5.2%
Operating Expenses:			
Total claims and claim adjustment expenses incurred	5,828,190	6,200,292	-6.0%
General and administrative expenses	4,188,408	3,966,362	5.6%
Total operating expenses	10,016,598	10,166,654	-1.5%
Operating income	675,290	1,106,734	-39.0%
Non-operating Revenues:			
Interest and dividends	684,153	521,921	31.1%
(Decrease) in fair value of investments	(46,476)	(154,391)	-69.9%
Total non-operating revenues	637,677	367,530	73.5%
Excess of revenue over expenses	1,312,967	1,474,264	
Capitalization Distributions	79,119	4,747	1566.7%
Capitalization Contribution - Cumulative Reserve Fund	587,571	580,864	1.2%
Change in net assets	1,821,419	2,050,381	-11.2%
Net Assets - Beginning of year	24,091,408	22,041,027	
Net Assets - End of year	\$25,912,827	\$24,091,408	

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Statement of Net Assets

December 31, 2005

Assets	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,676,065	\$ —	\$ 1,676,065
Claims servicer imprest fund	40,677	—	40,677
Contributions receivable	432,559	452,738	885,297
Investment securities, at fair value (Note 3):			
Debt	6,266,893	986,130	7,253,023
Equity	3,085,506	—	3,085,506
Accrued investment income	111,053	137,336	248,389
Deductibles recoverable	42,799	—	42,799
Reinsurance receivable on paid claims (Note 5)	—	334,797	334,797
Due from property fund (Note 6)	406,788	—	406,788
Claims escrow fund	195,098	—	195,098
Unpaid claims to be billed in the future	4,000,000	—	4,000,000
Total of current assets	<u>\$ 16,257,438</u>	<u>\$ 1,911,001</u>	<u>\$ 18,168,439</u>
Noncurrent Assets			
Investment securities, at fair value (Note 3):			
Debt	6,601,050	7,266,795	13,867,845
Unpaid claims to be billed in the future	7,627,150	—	7,627,150
Total of noncurrent assets	<u>14,228,200</u>	<u>7,266,795</u>	<u>21,494,995</u>
Total assets	<u>\$ 30,485,638</u>	<u>\$ 9,177,796</u>	<u>\$ 39,663,434</u>
Liabilities and Net Assets			
Current Liabilities			
Claims and claim adjustment expense reserves (Note 4)	\$ 4,000,000	\$ 638,804	\$ 4,638,804
Reinsurance premiums payable (Note 5)	—	127,715	127,715
Accounts payable and accrued expenses	129,025	232,724	361,749
Due to casualty fund (Note 6)	—	406,788	406,788
Total of current liabilities	<u>4,129,025</u>	<u>1,406,031</u>	<u>5,535,056</u>
Noncurrent Liabilities			
Claims and claim adjustment expense reserves (Note 4)	7,627,150	—	7,627,150
Unearned premium reserves	588,401	—	588,401
Total of noncurrent liabilities	<u>8,215,551</u>	<u>—</u>	<u>8,215,551</u>
Total liabilities	<u>12,344,576</u>	<u>1,406,031</u>	<u>13,750,607</u>
Net Assets – Unrestricted	<u>18,141,062</u>	<u>7,771,765</u>	<u>25,912,827</u>
Total liabilities and net assets	<u>\$ 30,485,638</u>	<u>\$ 9,177,796</u>	<u>\$ 39,663,434</u>

See notes to basic financial statements.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Statement of Net Assets

December 31, 2004

Assets	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 61,226	\$ 3,497,106	\$ 3,558,332
Claims servicer imprest fund	125,736	—	125,736
Contributions receivable	417,703	402,918	820,621
Investment securities, at fair value (Note 3):			
Debt	3,506,676	1,022,500	4,529,176
Equity	2,392,626	—	2,392,626
Accrued investment income	128,880	54,260	183,140
Deductibles recoverable	13,500	—	13,500
Reinsurance receivable on claims (Note 5)	—	160,096	160,096
Due from American Public Entity Excess Pool	—	266,252	266,252
Claims escrow fund	195,098	—	195,098
Unpaid claims to be billed in the future	3,200,000	—	3,200,000
Total of current assets	<u>10,041,445</u>	<u>5,403,132</u>	<u>15,444,577</u>
Noncurrent Assets			
Investment securities, at fair value (Note 3):			
Debt	10,987,439	2,113,440	13,100,879
American Public Entity Excess Pool Guarantee Fund	—	71,771	71,771
Unpaid claims to be billed in the future	7,103,736	—	7,103,736
Total of noncurrent assets	<u>18,091,175</u>	<u>2,185,211</u>	<u>20,276,386</u>
Total assets	<u>\$ 28,132,620</u>	<u>\$ 7,588,343</u>	<u>\$ 35,720,963</u>
Liabilities and Net Assets			
Current Liabilities			
Claims and claim adjustment expense reserves (Note 4)	\$ 3,200,000	\$ 393,624	\$ 3,593,624
Reinsurance premiums payable (Note 5)	—	2,596	2,596
Accounts payable and accrued expenses	134,118	146,956	281,074
Total of current liabilities	<u>3,334,118</u>	<u>543,176</u>	<u>3,877,294</u>
Noncurrent Liabilities			
Claims and claim adjustment expense reserves (Note 4)	7,103,736	—	7,103,736
Unearned premium reserves	648,525	—	648,525
Total of noncurrent liabilities	<u>7,752,261</u>	<u>—</u>	<u>7,752,261</u>
Total liabilities	<u>11,086,379</u>	<u>543,176</u>	<u>11,629,555</u>
Net Assets – Unrestricted	<u>17,046,241</u>	<u>7,045,167</u>	<u>24,091,408</u>
Total liabilities and net assets	<u>\$ 28,132,620</u>	<u>\$ 7,588,343</u>	<u>\$ 35,720,963</u>

See notes to basic financial statements.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended December 31, 2005

	Casualty	Property	Total
Operating Revenue			
Member contributions:			
Operating	\$ 5,846,430	\$ 5,813,989	\$ 11,660,419
Reinsurance premiums ceded (Note 5)	(1,255,856)	(1,036,089)	(2,291,945)
Net operating contributions	4,590,574	4,777,900	9,368,474
Contributions that will be billed in the future to pay unpaid losses	1,323,414	—	1,323,414
Total operating revenues	5,913,988	4,777,900	10,691,888
Operating Expenses			
Claims and claim adjustment expenses incurred:			
Claims and claim adjustment expenses paid	2,982,988	2,218,485	5,201,473
Less recoveries	(456,107)	(275,040)	(731,147)
Claims and claim adjustment expenses paid, net of recoveries (Note 4)	2,526,881	1,943,445	4,470,326
Change in claims and claim adjustment expense reserves	1,323,414	112,193	1,435,607
Change in reinsurance applicable to unpaid claims	—	(77,743)	(77,743)
Total claims and claim adjustment expenses incurred (Note 4)	3,850,295	1,977,895	5,828,190
General and Administrative Expenses			
Marketing and administrator's fees	1,500,347	1,938,066	3,438,413
Other	531,579	218,416	749,995
Total general and administrative expenses	2,031,926	2,156,482	4,188,408
Total operating expenses	5,882,221	4,134,377	10,016,598
Operating income	31,767	643,523	675,290
Nonoperating Revenues			
Interest and dividends	480,332	203,821	684,153
Increase (decrease) in fair value of investments	74,270	(120,746)	(46,476)
Total nonoperating revenues	554,602	83,075	637,677
Excess of revenue over expenses	586,369	726,598	1,312,967
Member Distributions - Capitalization (Note 7)	79,119	—	79,119
Contributions - Capitalization - Cumulative Reserve Fund	587,571	—	587,571
Increase in net assets	1,094,821	726,598	1,821,419
Net Assets - Beginning of year	17,046,241	7,045,167	24,091,408
Net Assets - End of year	\$ 18,141,062	\$ 7,771,765	\$ 25,912,827

See notes to basic financial statements.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended December 31, 2004

	Casualty	Property	Total
Operating Revenue			
Member contributions:			
Operating	\$ 5,360,604	\$ 5,414,089	\$ 10,774,693
Reinsurance premiums ceded (Note 5)	(1,043,909)	(883,832)	(1,927,741)
Net operating contributions	4,316,695	4,530,257	8,846,952
Contributions that will be billed in the future to pay unpaid losses	2,426,436	—	2,426,436
Total operating revenues	6,743,131	4,530,257	11,273,388
Operating Expenses			
Claims and claim adjustment expenses incurred:			
Claims and claim adjustment expenses paid	5,020,975	1,810,584	6,831,559
Less recoveries	(2,840,325)	(261,939)	(3,102,264)
Claims and claim adjustment expenses paid, net of recoveries (Note 4)	2,180,650	1,548,645	3,729,295
Change in claims and claim adjustment expense reserves	1,803,109	255,291	2,058,400
Change in reinsurance applicable to unpaid claims	623,327	(210,730)	412,597
Total claims and claim adjustment expenses incurred (Note 4)	4,607,086	1,593,206	6,200,292
General and Administrative Expenses			
Marketing and administrator's fees	1,422,631	1,804,792	3,227,423
Other	529,420	209,519	738,939
Total general and administrative expenses	1,952,051	2,014,311	3,966,362
Total operating expenses	6,559,137	3,607,517	10,166,654
Operating income	183,994	922,740	1,106,734
Nonoperating Revenues			
Interest and dividends	382,698	139,223	521,921
Increase (decrease) in fair value of investments	(97,491)	(56,900)	(154,391)
Total nonoperating revenues	285,207	82,323	367,530
Excess of revenue over expenses	469,201	1,005,063	1,474,264
Member Distributions - Capitalization (Note 7)	4,747	—	4,747
Contributions - Capitalization - Cumulative Reserve Fund	580,864	—	580,864
Increase in net assets	1,045,318	1,005,063	2,050,381
Net Assets - Beginning of year	16,000,923	6,040,104	22,041,027
Net Assets - End of year	\$ 17,046,241	\$ 7,045,167	\$ 24,091,408

See notes to basic financial statements.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Statement of Cash Flows

Year Ended December 31, 2005

	Casualty	Property	Total
Cash flows from operating activities:			
Receipts from members	\$ 5,831,574	\$ 5,764,169	\$ 11,595,743
Receipts from reinsurance carrier	426,808	275,040	701,848
Payments for claims	(2,897,929)	(2,218,485)	(5,116,414)
Payments for reinsurance premiums	(1,255,856)	(608,689)	(1,864,545)
Payments for administrative and general expenses	(2,037,019)	(2,070,714)	(4,107,733)
Net cash provided by operating activities	67,578	1,141,321	1,208,899
Cash flows from noncapital financing activities:			
Receipts from members – Cumulative Reserve Fund	527,454	—	527,454
Due from property fund	(406,788)	—	(406,788)
Due to casualty fund	—	406,788	406,788
American Public Entity Excess Pool Guarantee Fund	—	71,771	71,771
Payment for member withdrawal – Capitalization	(79,119)	—	(79,119)
Net cash provided by noncapital financing activities	41,547	478,559	520,106
Cash flows from investing activities:			
Purchases of debt securities	(7,230,880)	(6,237,731)	(13,468,611)
Proceeds from debt securities:			
Maturities	—	1,000,000	1,000,000
Sales	8,749,200	—	8,749,200
Purchases of equity securities	(4,542,381)	—	(4,542,381)
Proceeds from equity securities	4,031,616	—	4,031,616
Investment income – Interest and dividends	498,159	120,745	618,904
Net cash provided by (used in) investing activities	1,505,714	(5,116,986)	(3,611,272)
Net increase (decrease) in cash and cash equivalents	1,614,839	(3,497,106)	(1,882,267)
Cash and cash equivalents:			
Beginning of year	61,226	3,497,106	3,558,332
End of year	\$ 1,676,065	\$ —	\$ 1,676,065
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 31,767	\$ 643,523	\$ 675,290
Decrease (increase) in:			
Claims servicer imprest fund	85,059	—	85,059
Contributions receivable	(14,856)	(49,820)	(64,676)
Deductibles recoverable	(29,299)	—	(29,299)
Reinsurance receivable on paid claims	—	(174,701)	(174,701)
Due from American Public Entity Excess Pool	—	266,252	266,252
Unpaid claims to be billed in the future	(1,323,414)	—	(1,323,414)
Increase (decrease) in:			
Claims and claim adjustment expense reserves	1,323,414	245,180	1,568,594
Reinsurance premiums payable	—	125,119	125,119
Accounts payable and accrued expenses	(5,093)	85,768	80,675
Net cash provided by operating activities	\$ 67,578	\$ 1,141,321	\$ 1,208,899

See notes to basic financial statements.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Statement of Cash Flows

Year Ended December 31, 2004

	Casualty	Property	Total
Cash flows from operating activities:			
Receipts from members	\$ 5,381,160	\$ 5,444,569	\$ 10,825,729
Receipts from reinsurance carrier	2,829,825	472,669	3,302,494
Payments for claims	(5,141,909)	(1,810,584)	(6,952,493)
Payments for reinsurance premiums	(1,043,909)	(327,075)	(1,370,984)
Payments for administrative and general expenses	(1,961,543)	(2,049,764)	(4,011,307)
Net cash provided by operating activities	63,624	1,729,815	1,793,439
Cash flows from noncapital financing activities:			
Receipts from members – Cumulative Reserve Fund	636,909	—	636,909
Payment for member withdrawal – Capitalization	(4,747)	—	(4,747)
Net cash provided by noncapital financing activities	632,162	—	632,162
Cash flows from investing activities:			
Purchases of debt securities	(12,518,283)	(2,103,402)	(14,621,685)
Proceeds from debt securities:			
Maturities	—	1,510,000	1,510,000
Call	—	—	—
Sales	9,709,652	—	9,709,652
Purchases of equity securities	(648,122)	—	(648,122)
Proceeds from equity securities	1,375,895	—	1,375,895
Investment income – Interest and dividends	377,325	129,426	506,751
Net cash used in investing activities	(1,703,533)	(463,976)	(2,167,509)
Net (decrease) increase in cash and cash equivalents	(1,007,747)	1,265,839	258,092
Cash and cash equivalents:			
Beginning of year	1,068,973	2,231,267	3,300,240
End of year	\$ 61,226	\$ 3,497,106	\$ 3,558,332
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 183,994	\$ 922,740	\$ 1,106,734
Decrease (increase) in:			
Claims servicer imprest fund	(120,934)	—	(120,934)
Contributions receivable	20,556	30,480	51,036
Deductibles recoverable	(10,500)	—	(10,500)
Due from American Public Entity Excess Pool	—	382,572	382,572
Reinsurance recoverable on paid claims	—	601,803	601,803
Unpaid claims to be billed in the future	(2,426,436)	—	(2,426,436)
Increase (decrease) in:			
Claims and claim adjustment expense reserves	2,426,436	44,561	2,470,997
Reinsurance premiums payable	—	(216,888)	(216,888)
Accounts payable and accrued expenses	(9,492)	(35,453)	(44,945)
Net cash provided by operating activities	\$ 63,624	\$ 1,729,815	\$ 1,793,439

See notes to basic financial statements.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 1 – Description of Organization

Ohio Township Association Risk Management Authority (the “Pool”) was created in March 1987 and organized under the laws of the state of Ohio as a governmental group property and casualty self-insurance pool. A total of 955 townships within the state of Ohio participate in the Pool. The Pool was formed for the primary purpose of managing third-party liability claims against its members. Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member’s withdrawal. Members withdrawing within the first six years of Pool membership may receive a partial refund of their capitalization contributions described below. The amounts of such refunds are defined by contract and correspond to the length of their membership.

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

	Percent of “basis rate”
Initial contribution	100%
First anniversary	75
Second anniversary	50
Third anniversary	30
Fourth anniversary	25
Fifth anniversary	20

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

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

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 1 – Description of Organization (Continued)

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

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

American Risk Pooling Consultants, Inc. (ARPCO) functions as the administrator of the Pool. The duties of the administrator are defined in an administrative agreement between ARPCO and the Pool, and generally include those powers and duties necessary and incident to managing the operations of the Pool. Pursuant to an agreement between ARPCO and Burnham and Flower Agency of Ohio, Inc. (B&FA), B&FA provides marketing, underwriting, billing, and collection services. The Ohio Township Association (OTA) endorses the Pool. Crawford and Company (Crawford) provides claims services. KLA Consulting (KLA) provides loss control services. ARPCO, B&FA, and OTA are compensated for their respective services based on percentages of the members' casualty basis rates and casualty excess and property contributions; Crawford and KLA are compensated on a time and expense basis.

Note 2 – Summary of Significant Accounting Policies

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

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

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

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Member Contributions and Unpaid Claims to be Billed in the Future - Member contributions are accounted for under the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, using the cost recovery method. Under the cost recovery method, operating contributions are recognized with respect to actual claims costs throughout the duration of the certificate to the extent that claims costs have been incurred. The remainder of the operating contribution is recognized as revenue only when the ultimate contribution can reasonably be estimable. Unpaid claims to be billed in the future represent receivables from the Pool's members for estimated claims incurred as of the balance sheet date, but for which the Pool has not yet billed members.

Claims and Claim Adjustment Expense Reserves – Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claims expenses from reported claims and claims incurred but not reported. Changes to estimates are currently reflected in the Statement of Revenue, Expenses and Changes in Net Assets.

Capitalization Contributions - Casualty capitalization contributions are accounted for under the provisions of GASB's Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools* (Interpretation 4). Under Interpretation 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 4 are being amortized pro rata over a six-year period – the period over which a member makes capitalization contributions.

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

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

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

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 3 – Deposits and Investments

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

The Pool designated Bank One for the deposit of its funds.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Pool’s deposits may not be returned to it. The Pool does not have a deposit policy for custodial credit risk of bank deposits. At year end, the Pool’s deposit balance of \$1,166,027 had \$1,156,029 bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Pool believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Pool evaluates each financial institution with which it deposits trusts and assesses 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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 3,014,539	0.66
U.S. agency and passthroughs	18,106,328	2.03
Total fair value	\$ 21,120,867	
Portfolio weighted average maturity		1.84

Credit Risk – Credit risk is the risk that an issuer to an investment will not fulfill its obligations. In accordance with Pool’s investment policy, the Pool may invest in US government securities and certain equity securities.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 4 – Claims and Claim Adjustment Expense Reserves

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

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

Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in estimating claim liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. While management believes that the reserves for claims and claim adjustment expenses make a reasonable provision to cover the ultimate claims, such estimates may be more or less than the amounts ultimately paid when the claims are settled, because of the inherent uncertainty of the evaluation process.

The following summarizes changes in casualty and property liabilities for the years ended December 31, 2005 and 2004:

	Casualty	
	2005	2004
Claims and claim adjustment expense reserves at beginning of year	\$ 10,303,736	\$ 7,877,300
Net incurred claims and claim adjustment expenses:		
Current year provision	5,070,172	4,490,170
Change in prior years' provisions	(1,219,877)	116,916
Net provision	3,850,295	4,607,086
Net claims and claim adjustment expense payments attributable to:		
Current year	(313,323)	(306,710)
Prior years	(2,213,558)	(1,873,940)
Net payments	(2,526,881)	(2,180,650)
Net unpaid claims and claim adjustment expense reserves at end of year	\$ 11,627,150	\$ 10,303,736

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

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

	Property	
	2005	2004
Claims and claim adjustment expense reserves		
at beginning of year	\$ 393,624	\$ 303,038
Plus reinsurance recoverable	210,730	43,025
Net unpaid claims and claim adjustment		
expenses at beginning of year	604,354	349,063
Net incurred claim and claim adjustment expenses:		
Current year provision	2,000,617	1,831,420
Change in prior years' provisions	(22,722)	(238,214)
Net provision	1,977,895	1,593,206
Net claims and claim adjustment expense payments		
attributable to:		
Current year	(1,533,890)	(1,297,358)
Prior years	(409,555)	(251,287)
Net payments	(1,943,445)	(1,548,645)
Net unpaid claims and claim adjustment expense		
reserves at end of year	\$ 638,804	\$ 393,624

Note 5 – Reinsurance and Excess Risk Sharing Agreements

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

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

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 5 – Reinsurance and Excess Risk Sharing Agreements (Continued)

The Pool contributes 9% per year of its annual basis rate to APEEP as a capitalization contribution until total contributions reach 35% of the Pool's annual basis rate, then 5% per year of its annual basis rate until total contributions reach 50% of the Pool's annual basis rate. Once a member pool reaches the initial requirement for establishing its Cumulative Reserve Fund at 50% of its current basis rate, future annual contributions will be limited to 20% of the difference between the increase in 50% of the member pool's current annual basis rate and its respective balance in its Cumulative Reserve Fund. If 50% of the current annual basis rate is less than the balance in the Cumulative Reserve Fund, APEEP will reimburse the difference to the Pool. The Pool contributed 2.66% of its basis rate in 2005 and 2.26% in 2004. In the event APEEP's Cumulative Reserve Fund is exhausted the Pool is required to contribute up to 40% of its then-existing balance of cumulative capitalization contributions, including investment earnings thereon, to cure such deficit. At December 31, 2005, the maximum such contribution approximates \$4,700,000 and has not been reflected in the accompanying financial statements.

The Pool retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP in an amount not to exceed \$1,750,000 each claim and \$10,000,000 in aggregate per year. For Pool members' requiring specific excess coverage from \$2,000,000 to \$12,000,000, such excess coverage is reinsured with General Reinsurance Corporation through contracts with the Pool. In the event a series of retained claims exhausts the Pool's Net Assets, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to an each claim limit of \$2,000,000. Premiums ceded to reinsurance carriers during the years ended December 31, 2005 and 2004 for casualty risks totaled \$1,255,856 and \$1,043,909, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2005 and 2004 for reinsurance was approximately \$2,858,000 and \$2,555,000, respectively.

On January 1, 2005, APEEP began administering a risk-sharing program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate stop loss limit for 2005 and 2004 was \$1,682,589 and \$0, respectively. Premiums ceded to reinsurance carrier during the years ended December 31, 2005 and 2004 for property risks totaled \$1,036,089 and \$883,832, respectively, and the amounts deducted from losses and loss expense reserves as of December 31, 2005 and 2004 for reinsurance was approximately \$78,000 and \$211,000, respectively.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 6 – Interfund Balances

The Pool uses one cash operating account for both the Casualty and Property funds. Occasionally, one fund has a deficit in its allocation of the operating account. The Casualty fund borrowed \$406,788 from the Property fund in 2005 and \$0 in 2004. This amount will be repaid once the Casualty fund has surplus funds. There is no interest paid on the reimbursed amounts.

Note 7 – Member Withdrawal

There were no distributions approved in 2004 or 2005 for use as credits against 2005 and 2006 operating contributions. No distributions were paid in 2005 and 2004.

Three members withdrew from the Pool in 2005, while one member withdrew in 2004. In accordance with the intergovernmental contract, these withdrawals resulted in transfers to operations of \$43,100 in 2005 and \$3,788 in 2004, as well as refunds of \$36,019 in 2005 and \$959 in 2004. Upon withdrawal, these members became responsible for all of their respective unpaid claims, both reported and unreported.

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Casualty Claims Development Information

December 31, 2005

	Year ended December 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Required contributions (note A) and investment income:										
Earned	\$ 4,168,543	\$ 3,243,848	\$ 4,122,841	\$ 4,325,387	\$ 4,342,702	\$ 5,308,407	\$ 4,837,529	\$ 7,691,422	\$ 7,201,336	\$ 8,169,181
Ceded	331,453	178,404	421,781	403,619	377,157	608,940	841,052	769,813	664,887	824,487
Net	3,837,090	3,065,444	3,701,060	3,921,768	3,965,545	4,699,467	3,996,477	6,921,609	6,536,449	7,344,694
2. Expenses other than allocated claim adjustment expenses incurred	1,054,392	1,053,907	991,045	1,172,719	1,264,572	1,413,275	1,596,849	1,820,586	1,952,051	2,031,927
3. Estimated claims and allocated claim adjustment expenses, end of policy year:										
Incurred	2,617,015	1,566,055	2,463,978	2,397,834	2,132,296	2,899,971	2,798,870	3,979,713	5,015,109	5,070,171
Ceded	285,953	116,117	307,466	254,956	264,035	395,861	579,747	472,609	524,939	448,888
Net	2,331,062	1,449,938	2,156,512	2,142,878	1,868,261	2,504,110	2,219,123	3,507,104	4,490,170	4,621,283
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	341,508	256,019	133,537	250,956	153,792	181,448	217,570	287,215	306,710	313,323
One year later	584,590	533,757	302,592	619,804	446,224	517,544	623,902	820,835	834,241	
Two years later	861,855	651,829	740,145	1,035,385	742,265	1,057,835	961,445	1,601,449		
Three years later	1,108,453	1,017,879	1,286,980	1,587,796	1,205,166	1,517,425	1,301,964			
Four years later	1,198,210	1,244,707	1,402,029	1,720,022	1,318,812	1,890,718				
Five years later	1,238,272	1,291,382	1,434,551	1,957,932	1,370,476					
Six years later	1,358,840	1,291,698	1,478,486	1,967,480						
Seven years later	1,407,603	1,291,256	1,612,986							
Eight years later	1,408,487	1,291,256								
Nine years later	1,408,487									
5. Reestimated ceded claims and expenses	341	130,863	298,907	4,223,285	23,323	1,699,647	21,614	290,316	786,152	448,888
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	2,331,062	1,449,938	2,156,512	2,142,878	1,868,261	2,504,110	2,219,123	3,507,104	4,490,170	4,621,283
One year later	1,467,097	1,786,742	1,739,400	2,379,960	1,797,011	2,233,863	2,362,065	4,372,364	4,290,646	
Two years later	1,672,467	1,397,793	2,254,111	2,457,077	2,103,426	2,471,398	2,350,094	3,718,702		
Three years later	1,514,323	1,495,253	2,184,441	2,242,948	1,854,075	2,069,668	2,176,431			
Four years later	1,377,679	1,584,696	1,791,198	2,167,316	1,565,027	2,438,582				
Five years later	1,370,041	1,364,518	1,786,607	2,080,163	1,552,447					
Six years later	1,463,811	1,326,949	1,726,692	2,062,104						
Seven years later	1,412,756	1,293,233	1,650,791							
Eight years later	1,413,715	1,294,399								
Nine years later	1,413,844									
7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year-end	\$ (917,218)	\$ (155,539)	\$ (505,721)	\$ (80,774)	\$ (315,814)	\$ (65,528)	\$ (42,692)	\$ 211,598	\$ (199,524)	\$ —

Note:

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

**OHIO TOWNSHIP ASSOCIATION
RISK MANAGEMENT AUTHORITY**

Property Losses Development Information

December 31, 2005

	Year ended December 31						
	1999	2000	2001	2002	2003	2004	2005
1. Required contributions (note A) and investment income:							
Earned	\$ 2,060,701	\$ 2,171,245	\$ 2,916,027	\$ 3,431,507	\$ 4,113,800	\$ 4,136,169	\$ 4,440,304
Ceded	96,371	158,338	75,004	120,000	35,735	85,701	29,494
Net	1,964,330	2,012,907	2,841,023	3,311,507	4,078,065	4,050,468	4,410,810
2. Expenses other than allocated loss adjustment expenses	1,044,667	1,152,215	1,339,262	1,450,240	1,886,546	2,014,315	2,156,482
3. Estimated claims and allocated loss adjustment expenses, end of policy year:							
Incurred	942,630	891,134	1,418,191	1,836,608	2,698,901	2,122,742	2,101,728
Ceded	288,237	356,787	242,847	120,000	666,451	291,322	29,494
Net	654,393	534,347	1,175,344	1,716,608	2,032,450	1,831,420	2,072,234
4. Cumulative net paid and allocated loss adjustment expenses as of:							
End of policy year	296,881	370,606	855,769	868,026	1,776,904	1,297,358	1,533,890
One year later	487,030	491,038	964,234	1,829,637	1,873,491	1,899,296	
Two years later	488,243	488,877	1,341,648	1,610,302	1,848,753		
Three years later	489,913	953,705	1,340,788	1,579,414			
Four years later	922,824	953,705	1,224,639				
Five years later	922,824	953,891					
Six years later	922,824						
5. Reestimated ceded losses and expenses	237,798	106,802	283,599	432,185	350,820	147,065	29,494
6. Reestimated net incurred losses and allocated loss adjustment expenses:							
End of policy year	654,393	534,347	1,175,344	1,716,608	2,032,450	1,831,420	2,072,234
One year later	554,382	499,583	971,931	1,912,429	1,912,490	1,984,417	
Two years later	488,243	489,271	1,342,372	1,640,961	1,894,381		
Three years later	489,913	953,705	1,341,422	1,623,452			
Four years later	922,824	953,705	1,225,150				
Five years later	922,824	953,891					
Six years later	922,824						
7. Increase (decrease) in estimated net incurred losses and allocated loss adjustment expenses subsequent to initial policy year-end	\$ 268,431	\$ 419,544	\$ 49,806	\$ (93,156)	\$ (138,069)	\$ 152,997	\$ —

Note:

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

Report on Compliance with Laws and Regulations and Internal Controls

Report on Compliance with Laws and Regulations and Internal Controls

To the Board of Directors
Ohio Township Association
Risk Management Authority

We have audited the financial statements of Ohio Township Association Risk Management Authority as of and for the year ended December 31, 2005, and have issued our report thereon dated March 10, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

Compliance with laws, regulations, contracts, and grants applicable to Ohio Township Association Risk Management Authority is the responsibility of Ohio Township Association Risk Management Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Pool's compliance with certain provisions of laws, regulations, contracts, and grants, including compliance with laws and regulations of Auditor of State Betty Montgomery. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under the provisions of *Government Auditing Standards* referred to in the preceding paragraph.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio Township Association Risk Management Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Directors
Ohio Township Association
Risk Management Authority

Additionally, no management letter was issued in relation to our audit of the financial statements of Ohio Township Association Risk Management Authority as of and for the year ended December 31, 2005.

This report is intended solely for the information of the board of directors, members, management, and Auditor of State Betty Montgomery and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Plante & Moran, PLLC

March 10, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
OCTOBER 3, 2006**