

FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTAL INFORMATION
Ohio Municipal Joint Self-Insurance Pool
*Years ended December 31, 2007 and 2006 with
Report of Independent Auditors*



Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool
600 East 96th Street
Suite 425
Indianapolis, Indiana 46240

We have reviewed the *Report of Independent Auditors* of the Ohio Municipal Joint Self-Insurance Pool, Franklin County, prepared by Leemhuis Group for the audit period January 1, 2007 through December 31, 2007. 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 Municipal Joint Self-Insurance Pool is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 2, 2008

This Page is Intentionally Left Blank.

Ohio Municipal Joint Self-Insurance Pool

Financial Statements
and Required Supplemental Information

Years ended December 31, 2007 and 2006

Contents

Management Discussion and Analysis	1
Audited Financial Statements	
Report of Independent Auditors	3
Balance Sheets	5
Statements of Income and Changes in Accumulated Deficit	6
Statements of Cash Flows.....	7
Notes to Financial Statements	8
Required Supplemental Information	
Report of Independent Auditors on Required Supplemental Information	13
Schedule of Claims Development Information	14

Ohio Municipal Joint Self-Insurance Pool Management Discussion and Analysis

This section of the Ohio Municipal Joint Self-Insurance Pool's (the "Pool") audited financial statements contains a discussion and analysis by management of the Pool financial results for the years ending December 31, 2007 and 2006.

	2007	2006
Total assets	\$ 2,405,834	\$ 2,331,284
Losses and loss adjustment expenses payable	1,769,202	1,902,141
Other liabilities	1,108,183	1,228,334
Total liabilities	2,877,385	3,130,475
Accumulated deficit	(471,551)	(799,191)
Premium revenues, net of reinsurance ceded	2,584,497	2,724,390
Investment income	48,268	43,794
Total revenues	2,632,765	2,768,184
Losses and loss adjustment expenses, net of reinsurance ceded	1,333,421	1,252,713
Administrative and other expenses	971,704	1,098,603
Total expenses	2,305,125	2,351,316
Net change in accumulated deficit	327,640	416,868

- The Pool's total assets increased 3%, or \$74,550, to \$2,405,834 in 2007. Cash, cash equivalents and investments increased 46%, or \$496,703, from \$1,083,716 in 2006 to \$1,580,419 in 2007. Much of the improvement in cash resulted from lower negotiated premiums paid to the Pool's reinsurers. In addition, increased reinsurance recoveries helped lower the overall net losses paid by over \$125,000.
- The Pool's net case loss reserves decreased in 2007 to \$844,686, as compared to 2006 net case reserves of \$956,972. As a result of normal expected reported claims in 2007, the Pool maintained its reserve allocation for incurred but not reported (IBNR) claim reserves of \$924,237. The total loss reserves including case and IBNR remained level at approximately \$2.7 million.
- The Pool produced a net profit of \$327,641 in 2007 as compared to a 2006 net profit of \$416,867. The Pool's accumulated deficit has now decreased to \$471,551 from \$799,191 in 2006. The Pool now has posted a net profit five of the past six years, during which time the Pool decreased its accumulated deficit by \$1,534,602 or 77%.
- Market conditions continue to soften as property and liability insurance rates fell in 2007. The Pool retained 95% of its total contributions in 2007 as compared to 87% of its contributions retained as of year-end 2006. Gross written contributions and surplus contributions decreased by nearly 5% in 2007.

- Pool administration and sales expenses decreased approximately 9.2% in 2007 to \$883,519. As the Pool's contributions decreased during 2007, the expenses for Pool administration and brokerage dropped correspondingly. This resulted in more than \$150,000 less paid out in sales expenses over the 2006 payments. The OML received 3% of gross written and surplus contributions for the calendar year.
- The Pool has received a determination letter from the Internal Revenue Service indicating that the income is excludable from taxation. As such the tax returns filed annually indicate no tax liability is due.



Report of Independent Auditors

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool

We have audited the accompanying balance sheet of the Ohio Municipal Joint Self-Insurance Pool as of December 31, 2007 and the related statements of income and changes in accumulated deficit 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 accompanying financial statements of Ohio Municipal Joint Self-Insurance Pool as of December 31, 2006 and for the year then ended were audited by other auditors whose report dated February 26, 2007 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 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 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 the Ohio Municipal Joint Self-Insurance Pool at December 31, 2007, and the results of its operations and its 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 May 20, 2008 on our consideration of the Ohio Municipal Joint Self-Insurance Pool's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 1 and 2 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Levitt Group

May 20, 2008

Ohio Municipal Joint Self-Insurance Pool

Balance Sheets

	December 31	
	2007	2006
Assets		
Cash and cash equivalents	\$ 1,401,044	\$ 903,894
Investments	179,375	179,822
Member contributions receivable	335,150	159,866
Reinsurance recoverable	199,652	742,407
Deferred acquisition costs	290,363	308,043
Deferred organizational costs	-	16,320
Other assets	250	20,932
Total assets	<u>\$ 2,405,834</u>	<u>\$ 2,331,284</u>
Liabilities and accumulated deficit		
Losses and loss expenses payable	\$ 1,769,202	\$ 1,902,141
Unearned member contributions	914,177	988,416
Administrator, sponsor fees and commissions payable	194,006	239,918
Total liabilities	<u>2,877,385</u>	<u>3,130,475</u>
Accumulated deficit	<u>(471,551)</u>	<u>(799,191)</u>
Total liabilities and accumulated deficit	<u>\$ 2,405,834</u>	<u>\$ 2,331,284</u>

See accompanying notes.

Ohio Municipal Joint Self-Insurance Pool

Statements of Income and Accumulated Deficit

	Year ended December 31	
	2007	2006
Operating revenues:		
Gross written contributions	\$ 3,073,871	\$ 3,217,139
Member surplus contributions	553,333	509,822
Change in unearned premium	65,749	227,153
Reinsurance premiums	(1,113,195)	(1,183,177)
Change in unearned premium ceded	4,739	(46,547)
	2,584,497	2,724,390
Operating expenses:		
Losses and loss adjustment expenses	2,158,200	1,441,883
Ceded losses recovered	(824,779)	(189,170)
Administrator, sponsor fees and commissions	883,519	973,465
Professional fees	59,450	94,189
Amortization	16,320	17,906
Other expenses	12,415	13,043
	2,305,125	2,351,316
Operating income	279,372	373,074
Non-operating revenues:		
Investment income	49,486	42,053
Net income	328,858	415,127
Change in unrealized gains on investments	(1,218)	1,741
Accumulated deficit beginning of year	(799,191)	(1,216,059)
Accumulated deficit end of year	\$ (471,551)	\$ (799,191)

See accompanying notes.

Ohio Municipal Joint Self-Insurance Pool

Statements of Cash Flows

	Year ended December 31	
	2007	2006
Operating activities		
Member and surplus contributions received	\$ 3,447,929	\$ 3,784,301
Reinsurance premiums paid	(870,230)	(1,801,425)
Loss and allocated expenses paid, net of deductibles collected	(2,285,093)	(1,750,103)
Reinsurance, salvage and subrogation recoveries received	1,150,971	493,763
Administrator, sponsor fees and commissions paid	(911,753)	(1,067,833)
Professional fees paid	(64,172)	(102,936)
Other expenses paid	(19,216)	(3,037)
Net cash provided (used) by operating activities	<u>448,436</u>	<u>(447,270)</u>
Investing activities		
Sales and maturities of investments	715,090	533,922
Purchases of investments	(715,862)	(533,410)
Investment income	49,486	42,053
Net cash provided by investing activities	<u>48,714</u>	<u>42,565</u>
Net increase (decrease) in cash and cash equivalents	<u>497,150</u>	<u>(404,705)</u>
Cash and cash equivalents at beginning of the year	<u>903,894</u>	<u>1,308,599</u>
Cash and cash equivalents at end of the year	<u><u>\$ 1,401,044</u></u>	<u><u>\$ 903,894</u></u>
Reconciliation of net income to net cash provided (used) by operating activities:		
Net income	\$ 279,372	\$ 373,074
Adjustments to reconcile operating income to net cash flow from operating activities:		
Amortization	16,320	17,906
Changes in operating assets and liabilities:		
Member contributions receivable	(175,284)	44,582
Reinsurance recoverable	542,755	(612,065)
Deferred acquisition costs	17,680	62,131
Other assets	20,682	(5,651)
Losses and loss expenses payable	(132,939)	2,141
Unearned member contributions	(74,239)	(167,575)
Administrator, sponsor fees and commissions payable	(45,911)	(161,813)
Net cash provided (used) by operating activities	<u><u>\$ 448,436</u></u>	<u><u>\$ (447,270)</u></u>

See accompanying notes.

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

December 31, 2007

1. Organization and Significant Accounting Policies

Organization

The Ohio Municipal Joint Self-Insurance Pool (the "Pool") is an unincorporated nonprofit association which provides a program of property and casualty self-insurance for its member organizations. Membership is restricted to municipal corporations and their instrumentalities in the State of Ohio. Under the terms of the membership agreement, members are subject to a supplemental assessment or a refund, depending on the Pool's underwriting results for each coverage year.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") effective on or before November 1989, provided that they do not conflict or contradict Government Accounting Standards Board ("GASB") Statement No. 20 *Accounting and Reporting for Financial Reporting for Proprietary Fund Accounting*. The Pool follows applicable GAAP standards effective after November 1989 except those that conflict or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less when purchased are classified as cash and cash equivalents and are stated at cost, which approximates market.

Investments

The aggregate investments in debt and equity securities are reported at fair value with the unrealized gains or losses reported as a component of surplus in the accompanying statements of income and accumulated deficit. Interest earned on investments is reported as a component of non-operating revenue.

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Deferred Acquisition and Organizational Costs

Policy acquisition costs, primarily commissions paid to brokers and management fees paid to the administrator (see Note 2), are deferred and amortized over the life of the policy, generally one year.

The Pool incurred organizational costs in connection with the creation of the Pool. These costs have been capitalized and are being amortized over 20 years, using the straight-line basis. The costs are fully amortized at December 31, 2007. Accumulated amortization was \$388,142 at December 31, 2006.

Losses and Loss Adjustment Expenses Payable

The liabilities for losses and loss adjustment expenses and incurred but not reported claims are estimated based on historical information and claim experience, and represent management's best estimate of the ultimate cost of claims. Because the ultimate claim costs can be affected by factors such as inflation, legal settlements and damage awards, the estimation process includes considerable variability. Management believes that the recorded liabilities are adequate. The estimates are continually reviewed and updated as experience develops or new information becomes known; such adjustments are reflected in current operations.

Revenue Recognition

Members are charged a contribution for the insurance coverage(s) provided by the Pool, which is recognized as revenue at the effective date of the policy. Policies are billed on an annual basis. The amount of the contribution is dependent on underwriting factors such as past claim experience, rating and market and competitive factors. In addition to the written contribution, a surplus contribution is charged to the member and included in the annual billing. In certain situations, members may elect to make a three-year prepaid surplus contribution. Prepaid surplus contributions were \$56,963 and \$60,714 at December 31, 2007 and 2006, respectively, and are included with unearned member contributions in the accompanying balance sheets.

Unearned Member Contributions

Unearned member contributions represent the portion of the annual contributions billed on the effective date of one-year policies that have not been earned over the life of the policy, and are reported net of reinsurance ceded.

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Pool invests excess operating funds in short-term U.S. Government securities, held in trust at a bank. Deposits at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007 and 2006, the Pool's uninsured cash and investment balances totaled \$1,301,044 and \$803,894, respectively.

All written and surplus contributions are received from cities and municipalities in the State of Ohio.

Income Taxes

The Internal Revenue Service ("IRC") has determined that the Pool is performing an essential governmental function within the provisions of IRC Section 115 and while the Pool files a tax return as an unincorporated association, the Pool qualifies as a non-taxable entity.

2. Administrative Services Agreement

The Pool has outsourced its administrative functions to JWF Specialty, Inc. ("JWF"), a third party administrator located in Indiana, under a service agreement effective June 2001 and renewable yearly through June 2008. In accordance with the agreement, JWF performs all policy management, underwriting, billing, claims management and payment functions and financial management for the Pool, and is paid a fee based on a percentage of written contribution earned. Administrative expenses incurred in connection with this agreement totaled \$418,948 and \$440,358 for 2007 and 2006, respectively, and are included in administrator, sponsor fees and commissions in the accompanying statement of income and accumulated deficit.

3. Investments

The following is a summary of investments at December 31:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Bill, due February 2008	\$ 178,528	\$ 179,375	\$ 177,757	\$ 179,822

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

4. Losses and Loss Adjustment Expenses Payable

The following table provides a reconciliation of the beginning and ending balances of the liability for losses and loss adjustment expenses:

	Year ended December 31	
	2007	2006
Balances at January 1	\$ 1,902,141	\$ 1,900,000
Losses incurred related to:		
Current year	1,005,393	1,133,000
Prior years	328,028	119,713
Total losses incurred	1,333,421	1,252,713
Paid related to:		
Current year	289,907	301,512
Prior years	1,176,453	949,060
Total paid	1,466,360	1,250,572
Balance at December 31	\$ 1,769,202	\$ 1,902,141

Losses incurred related to prior years varies from previously estimated liabilities as the claims are ultimately settled. The changes in amounts incurred related to prior years are the result of adverse development of settled and open claims.

Losses and loss adjustment expenses payable include a reserve credit for policy deductible amounts billed to the insured. Reserve credits taken for these deductible amounts at December 31 are as follows:

	2007	2006
Deductibles receivable	\$ 107,213	\$ 92,791
Deductibles recoverable	334,797	237,443
	\$ 442,010	\$ 330,234

Ohio Municipal Joint Self-Insurance Pool

Notes to Financial Statements

5. Reinsurance

The Pool cedes portions of its gross contribution earned to certain reinsurers under excess reinsurance agreements in order to limit its losses. Treaty basis excess of loss contracts in force protect the Pool against losses over the retention level; at December 31, 2007, retention levels are \$200,000 for policies issued beginning April 1, 2005, \$175,000 for policies issued beginning April 1, 2003, \$125,000 for policies issued beginning April 1, 2002 and \$100,000 for policies issued beginning April 1, 2000.

The effect of ceded reinsurance on certain assets, liabilities, contributions earned and losses paid at December 31 is as follows:

	<u>2007</u>	<u>2006</u>
Reinsurance expense	\$ 1,113,195	\$ 1,183,177
Ceded unearned member contributions	282,050	277,311
Ceded losses and loss expenses receivable	218,947	227,827
Ceded losses and loss expenses recoverable	278,392	261,075
Ceded losses and loss expenses	824,779	189,170

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

Required Supplemental Information



**Report of Independent Auditors on
Required Supplemental Information**

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental claims development information is presented to comply with the Government Auditing Standards Board Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Leemhuis Group

May 20, 2008

Ohio Municipal Joint Self-Insurance Pool

Schedule of Claims Development Information

Years Ended December 31

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gross written premium	4,258,708	4,215,343	3,073,910	3,169,906	3,326,850	3,807,173	3,644,655	3,761,688	3,217,139	3,073,871
Earned revenue	5,069,570	4,801,097	4,007,758	3,198,012	3,974,169	4,285,399	4,350,027	4,302,874	3,997,908	3,741,221
less ceded	(1,321,081)	(1,245,684)	(1,113,439)	(1,058,844)	(1,555,809)	(1,359,132)	(870,170)	(1,222,857)	(1,229,724)	(1,108,456)
Net earned	3,748,489	3,555,413	2,894,319	2,139,168	2,418,360	2,926,267	3,479,857	3,080,017	2,768,184	2,632,765
Non-claim expenses	1,198,618	1,256,584	1,144,182	959,074	1,080,899	1,138,677	1,098,568	1,178,139	1,098,603	971,704
Paid losses and loss adjustment expenses (cumulative) as of:										
End of policy year	824,059	629,101	529,137	380,521	540,822	516,398	350,663	261,280	301,512	289,907
End of first year	1,454,365	1,664,080	851,097	466,916	1,002,509	909,990	837,237	504,319	862,850	
End of second year	2,338,007	2,501,733	1,402,736	696,073	1,423,850	1,233,995	1,177,616	761,828		
End of third year	3,022,775	3,126,445	1,656,137	885,332	1,916,224	1,602,973	1,584,181			
End of fourth year	3,430,930	3,590,547	1,685,393	996,325	2,006,572	1,723,526				
End of fifth year	3,874,153	3,640,531	1,873,025	1,003,677	2,092,786					
End of sixth year	4,111,648	3,694,011	1,881,892	1,003,677						
End of seventh year	4,219,320	3,695,299	1,888,997							
End of eighth year	4,224,568	3,721,554								
End of ninth year	4,227,690									
Re-estimated ceded claims and expenses	506,545	1,613,831	393,613	512,593	928,273	66,219	-	-	-	-
Incurred loss and loss adjustment expenses:										
End of policy year	898,700	907,545	673,337	625,815	1,093,747	951,758	723,833	690,889	587,713	857,362
End of first year	1,595,923	2,007,272	1,196,415	699,010	1,528,013	1,228,502	1,108,473	1,029,954	1,130,243	
End of second year	2,958,639	3,284,236	1,677,848	938,021	1,908,968	1,617,725	1,543,796	1,198,660		
End of third year	3,782,235	3,600,691	1,811,541	974,804	2,042,818	1,774,158	1,762,799			
End of fourth year	3,947,232	3,724,069	1,796,965	1,016,261	2,116,469	1,803,864				
End of fifth year	4,066,814	3,732,987	1,876,378	1,012,605	2,106,115					
End of sixth year	4,176,519	3,694,011	1,931,064	1,003,677						
End of seventh year	4,261,519	3,729,011	1,888,997							
End of eighth year	4,260,834	3,721,554								
End of ninth year	4,260,799									
Increase in estimated incurred loss and loss adjustment expenses from end of policy year	3,362,819	2,786,466	1,203,041	390,446	949,071	665,967	384,640	-	-	-

See accompanying independent auditors report on other financial information.



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

Board of Trustees
Ohio Municipal Joint Self-Insurance Pool

We have audited the financial statements of the Ohio Municipal Joint Self-Insurance Pool as of and for the year ended December 31, 2007, and have issued our report thereon dated May 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ohio Municipal Joint Self-Insurance Pool's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ohio Municipal Joint Self-Insurance Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte Group

May 20, 2008



Mary Taylor, CPA
Auditor of State

OHIO MUNICIPAL JOINT SELF INSURANCE POOL

FRANKLIN 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
JULY 15, 2008**