

Ohio Township Association Risk Management Authority

**Financial Report
with Required Supplemental Schedules
December 31, 2012**



Dave Yost • Auditor of State

Board of Directors
Ohio Township Association Risk Management Authority
29200 Northwestern Highway, Suite 300
P.O. Box 5088
Southfield, MI 48034

We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Township Association Risk Management Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 23, 2013

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Ohio Township Association Risk Management Authority

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Independent Auditor's Report

To the Board of Directors
Ohio Township Association Risk
Management Authority

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of Ohio Township Association Risk Management Authority (the "Pool") as of and for the years ended December 31, 2012 and 2011, 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 Basic Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Ohio Township Association Risk
Management Authority

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool at December 31, 2012 and 2011 and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

May 13, 2013

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Along with the notes to the basic financial statements, they provide detailed financial information concerning the Ohio Township Association Risk Management Authority (the "Pool" or OTARMA). The management's discussion and analysis (MD&A) provides a review of the Pool's operating results for the years 2010 through 2012, as well as its financial condition at December 31, 2012, 2011, and 2010. The MD&A should be read in conjunction with the basic financial statements and notes thereto.

Overview

OTARMA is a local government risk pool that offers comprehensive liability and property coverages specifically tailored to meet the needs of townships throughout the state of Ohio and provide them with an alternative to traditional insurance. OTARMA differs philosophically from traditional insurance programs in that OTARMA is owned by its members and serves only its members' interests.

Historically, the property and casualty insurance industry has been unable to provide the consistency of pricing and coverages needed by governmental authorities. The national insurance crisis of the late 1980s, in which political subdivisions in the State of Ohio were unable to purchase affordable insurance, led to the formation of local government risk pools. The transition from insurance to pooling has been so successful that there are approximately 500 governmental entity pools currently operating in the United States of America. OTARMA was formed in 1987 and has grown steadily to 944 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.

The OTARMA website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library with over 10,000 multimedia risk management tools. OTARMA enjoys the distinct privilege of being the pool with the most townships in Ohio and the only pool endorsed by the Ohio Township Association (OTA). The OTA endorsement is significant; the OTA is dedicated to the promotion and preservation of Ohio township government and serves as a resource to aid in effective township government.

OTARMA continues to build on its longstanding success by consistently providing customized coverage at a fair and stable price and being responsible, loyal, and responsive to its membership.

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

Administration

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

Financial Overview and Highlights

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

	2012	2011	2010
Assets			
Cash and cash equivalents	\$ 2,839,751	\$ 2,964,191	\$ 1,342,076
Investment securities - At fair value	22,894,947	22,436,051	23,822,823
Member contributions to be billed in the future	7,899,698	8,636,662	9,478,232
Other assets	1,136,874	1,049,261	1,212,121
Total assets	\$ 34,771,270	\$ 35,086,165	\$ 35,855,252
Liabilities			
Claims and claim adjustment expense reserves	\$ 8,746,546	\$ 9,086,447	\$ 9,936,923
Unearned premium reserves	89,668	127,452	126,181
Other liabilities	518,868	504,893	601,620
Total liabilities	9,355,082	9,718,792	10,664,724
Net Position - Unrestricted	25,416,188	25,367,373	25,190,528
Total liabilities and net position	\$ 34,771,270	\$ 35,086,165	\$ 35,855,252

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

Approximately 74 percent in 2012, 72 percent in 2011, and 70 percent in 2010 of total assets consists of cash, cash equivalents, and investments. As a result of the Pool's conservative investment objectives and policies, the overall investment return (excluding the net realized and unrealized losses on investments) totaled 2.29 percent during the year ended December 31, 2012. At December 31, 2012, 2011, and 2010, substantially all of the Pool's investments were invested in U.S. government securities, U.S. agency securities, or common stock.

In accordance with the requirements of Governmental Accounting Standards Board (GASB) No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, member contributions, claims and claim adjustment expenses, and operating expenses are recognized in the statement of revenue, expenses, and changes in net position on an accrual basis of accounting. Pursuant to the Intergovernmental Contract signed by each member of the Pool, the budgetary funding requirement for each member is based upon the estimated cash outflow of the Pool on an annual basis. As a result of the long claim cycle for casualty claims, member contributions are collected from active members when the estimated claims and claim adjustment expenses are anticipated to be paid. These estimated amounts are accounted for in the statement of net position as "member contributions to be billed in the future." Changes to these estimates are reflected in the statement of revenue, expenses, and changes in net position, in a method similar to that of claim reserves, as detailed below. Because amounts are estimated in this manner, amounts will fluctuate from year to year due to changes in the ultimate expected claims to be closed during a specific coverage period.

The Pool's claims and claim adjustment expense reserves totaled \$8,746,546 in 2012, \$9,086,447 in 2011, and \$9,936,923 in 2010. For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, claim frequency, and other economic and social factors. Because these estimates depend on complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claims reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which they are made. During the year ended December 31, 2012, the Pool decreased its provision for claims incurred in prior years by \$1,741,249 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 3.7 percent, from \$5,256,076 in 2011 to \$5,060,500 in 2012.

Net position at December 31, 2012 increased \$48,815 from the year ended December 31, 2011, as favorable operating and investment results more than offset the \$1,468,652 of member distributions out of the cumulative reserve fund during 2012.

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

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

	2012	2011	2010
Operating Revenue			
Member contributions	\$ 13,281,541	\$ 12,982,083	\$ 12,922,461
Reinsurance premiums ceded	(1,781,937)	(1,994,904)	(1,993,369)
Change in contributions that will be billed in the future to pay unpaid claims	(736,964)	(841,570)	(1,972,192)
Total operating revenue	10,762,640	10,145,609	8,956,900
Operating Expenses			
Provision for claims	4,720,599	4,405,600	4,101,599
General and administrative expenses	4,846,386	4,689,808	4,655,542
Total operating expenses	9,566,985	9,095,408	8,757,141
Operating Income	1,195,655	1,050,201	199,759
Nonoperating Revenue (Expenses)			
Investment earnings	324,421	622,286	711,390
Budgetary distributions	-	(2,062)	(1,747,033)
Cumulative reserve fund distributions	(1,468,652)	(1,458,064)	-
Total nonoperating revenue (expenses)	(1,144,231)	(837,840)	(1,035,643)
Member Capital - Net contributions	(2,609)	(35,516)	(74,910)
Increase (Decrease) in Net Position	\$ 48,815	\$ 176,845	\$ (910,794)

The Pool's membership increased from 938 to 944 members in 2012. Member contributions increased from \$12,982,083 in 2011 to \$13,281,541 in 2012.

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains risks up to an amount specified in the contracts (at December 31, 2012, 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 expense (ceded) to APEEP and the Pool's excess reinsurers totaled approximately \$1,782,000 and \$1,995,000 for the years ended December 31, 2012 and 2011, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2012 and 2011 for expected recoveries under the reinsurance and excess risk-sharing agreements totaled approximately \$5,157,000 and \$3,367,000, respectively.

In accordance with generally accepted accounting principles, all investments maintained by the Pool must be reported at fair market value ("marked to market" concept). Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net position as unrealized gains or losses on investments. Net realized and unrealized (losses) gains on investments totaled \$(193,928) and \$33,757 for the years ended December 31, 2012 and 2011, respectively.

Total operating expenses of the Pool were consistent in 2012 and 2011 totaling \$9,566,985 and \$9,095,408, or 72 percent and 70 percent of member contributions, respectively.

Economic Facts and Next Year's Rates

The rates charged by the Pool for member contributions for the next year are not expected to change significantly. All other operating expenses are expected to remain consistent with amounts reported in 2012. The provision for claim payments is expected to be consistent with historical trends and Management is unaware of any new economic events or legislative events that would have a significant impact on the operations of the Pool.

Contacting the Pool's Management

This financial report is intended to provide OTARMA members and regulators with a general overview of the accountability for the revenue OTARMA receives. Additional information regarding the Pool can be found on OTARMA's website, www.otarma.org. If you have questions about this report or need additional information, contact John W. Brockschmidt, President, York Risk Pooling Services, Inc. at (248) 204-5142.

Ohio Township Association Risk Management Authority

Statement of Net Position

	December 31	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 2,839,751	\$ 2,964,191
Member contributions receivable	937,636	844,893
Investment securities (Note 2)	4,293,914	4,178,505
Accrued investment income	191,113	195,459
Deductibles receivable	8,125	8,909
Member contributions to be billed in the future	<u>2,850,000</u>	<u>3,400,000</u>
Total current assets	11,120,539	11,591,957
Noncurrent Assets		
Investment securities - Net of current portion (Note 2)	18,601,033	18,257,546
Member contributions to be billed in the future	<u>5,049,698</u>	<u>5,236,662</u>
Total noncurrent assets	<u>23,650,731</u>	<u>23,494,208</u>
Total assets	<u>\$ 34,771,270</u>	<u>\$ 35,086,165</u>
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Claims and claim adjustment expense reserves (Note 3)	\$ 3,696,848	\$ 3,849,785
Reinsurance premiums payable (Note 4)	75,127	84,011
Accounts payable and accrued expenses	<u>443,741</u>	<u>420,882</u>
Total current liabilities	4,215,716	4,354,678
Long-term liabilities:		
Claims and claim adjustment expense reserves (Note 3)	5,049,698	5,236,662
Unearned premium reserves	<u>89,668</u>	<u>127,452</u>
Total long-term liabilities	<u>5,139,366</u>	<u>5,364,114</u>
Total liabilities	9,355,082	9,718,792
Net Position - Unrestricted	<u>25,416,188</u>	<u>25,367,373</u>
Total liabilities and net position	<u>\$ 34,771,270</u>	<u>\$ 35,086,165</u>

Ohio Township Association Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2012	2011
Operating Revenue		
Member contributions (Note 8)	\$ 13,281,541	\$ 12,982,083
Reinsurance premiums ceded (Note 4)	(1,781,937)	(1,994,904)
Change in contributions that will be billed in the future to pay unpaid claims	<u>(736,964)</u>	<u>(841,570)</u>
Total operating revenue	10,762,640	10,145,609
Operating Expenses		
Claims and claim adjustment expenses (Note 3):		
Paid	6,077,542	6,184,258
Recoveries	(1,017,042)	(928,182)
Change in claims and claim adjustment expense reserves	<u>(339,901)</u>	<u>(850,476)</u>
Total claims and claim adjustment expenses	4,720,599	4,405,600
Marketing and administrator fees	3,903,087	3,823,680
Other	<u>943,299</u>	<u>866,128</u>
Total operating expenses	<u>9,566,985</u>	<u>9,095,408</u>
Operating Income	1,195,655	1,050,201
Nonoperating Revenue (Expenses)		
Investment earnings - Interest and dividends	518,349	588,529
Net realized and unrealized (losses) gains on investments	(193,928)	33,757
Budgetary distributions (Note 6)	-	(2,062)
Cumulative reserve fund distributions (Note 7)	<u>(1,468,652)</u>	<u>(1,458,064)</u>
Total nonoperating revenue	(1,144,231)	(837,840)
Withdrawals - Member capital (Note 5)	<u>(2,609)</u>	<u>(35,516)</u>
Increase in Net Position	48,815	176,845
Net Position - Beginning of year	<u>25,367,373</u>	<u>25,190,528</u>
Net Position - End of year	<u>\$ 25,416,188</u>	<u>\$ 25,367,373</u>

Ohio Township Association Risk Management Authority

Statement of Cash Flows

	Year Ended December 31	
	2012	2011
Cash Flows from Operating Activities		
Cash received from members	\$ 13,151,014	\$ 13,026,058
Cash received from reinsurance recoveries	1,017,042	1,003,823
Cash paid for claims	(6,076,758)	(6,188,571)
Cash paid for reinsurance premiums	(1,790,821)	(2,002,854)
Cash paid for administrative and general expenses	<u>(4,823,527)</u>	<u>(4,778,585)</u>
Net cash provided by operating activities	1,476,950	1,059,871
Cash Flows from Investing Activities		
Investment income received	522,695	637,357
Purchase of investments	(20,701,043)	(16,225,853)
Proceeds from sales and maturities of investments	<u>20,048,219</u>	<u>17,646,382</u>
Net cash (used in) provided by investing activities	(130,129)	2,057,886
Cash Flows from Noncapital Financing Activities		
Payments for member withdrawals - Capitalization	(2,609)	(35,516)
Payments for member distributions - Budgetary	-	(2,062)
Payments for member distributions - Cumulative reserve fund	<u>(1,468,652)</u>	<u>(1,458,064)</u>
Net cash used in noncapital financing activities	<u>(1,471,261)</u>	<u>(1,495,642)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(124,440)	1,622,115
Cash and Cash Equivalents - Beginning of year	<u>2,964,191</u>	<u>1,342,076</u>
Cash and Cash Equivalents - End of year	<u>\$ 2,839,751</u>	<u>\$ 2,964,191</u>

Ohio Township Association Risk Management Authority

Statement of Cash Flows (Continued)

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

	2012	2011
Operating income	\$ 1,195,655	\$ 1,050,201
Adjustments to reconcile operating income to net cash from operating activities:		
(Increase) decrease in assets:		
Member contributions receivable	(92,743)	42,705
Deductibles receivable	784	(4,313)
Reinsurance receivable on paid claims	-	75,641
Member contributions to be billed in the future	736,964	841,570
(Decrease) increase in liabilities:		
Unearned premium reserves	(37,784)	1,270
Claims and claim adjustment expense reserves	(339,901)	(850,476)
Reinsurance premiums payable	(8,884)	(7,950)
Accounts payable and accrued expenses	22,859	(88,777)
Net cash provided by operating activities	<u>\$ 1,476,950</u>	<u>\$ 1,059,871</u>
Supplemental Disclosure of Cash Flow Information -		
Noncash investing activities - Net realized and unrealized (losses) gains on investments	<u>\$ (193,928)</u>	<u>\$ 33,757</u>

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

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 944 townships within the State of Ohio participate in the Pool. OTARMA's primary objectives are to offer customized property and casualty coverage at a fair and stable price, provide a high level of service, and be responsive to the needs of its members.

Members entering the Pool agree to participate in the Pool for a period of not less than one year and provide capitalization contributions as defined in the contract signed between the member and the Pool. Members electing to withdraw from the Pool may receive a partial refund of their capitalization contribution as defined by the contract, provided the member has given 60 days' written notice prior to its anniversary date. In addition, upon withdrawal, all payments for casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal.

The Pool has engaged York to serve as the administrator of the Pool. York specializes in public entity risk pool management and provides a full spectrum of administrative services. As provided for in its administrative agreement, York contracts specific services to subcontractors. Marketing and member services are provided by Burnham and Flower Agency of Ohio, Inc. Loss control services are provided by KLA Risk Consulting. Claim services are provided by York's wholly owned subsidiary, Public Entity Risk Services of Ohio. These organizations are reimbursed for their services pursuant to the terms of their respective agreements with York.

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

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

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

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

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

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

Member Contributions to be Billed in the Future - Member contributions to be billed in the future represent an estimate of amounts due from members which have not been billed to members and will be billed and collected in the future, 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 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 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 a six-year period, the period over which a member makes casualty capitalization contributions.

Member Contributions - Member contributions are recognized under the accrual method of accounting and follow the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Member contributions are estimated and recognized using a variety of actuarial and statistical techniques and reflect the amount to be contributed by members for payment of incurred claims, claim adjustment expenses, reinsurance expenses, and related administrative expenses for each certificate year.

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

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

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

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 position.

Accounting and Reporting Change - During the year, the Pool adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the term "net assets" is now referred to as "net position." In addition, the pronouncement created the categories of deferred inflows of resources and deferred outflows of resources; however, the Pool has no items that meet those definitions.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 2 - Deposits and Investments

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

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

At December 31, 2012, deposits and investments are reported in the financial statements as follows:

	2012	
	Cash and Cash Equivalents	Investment Securities
Deposits:		
Cash	\$ 252,218	\$ -
Money market	632,092	-
Total deposits	884,310	-
Investments:		
Money market mutual funds	\$ 1,955,441	\$ -
U.S. Treasury securities	-	10,038,068
U.S. agencies and pass-throughs	-	11,132,632
Mutual fund (stock)	-	533,655
Common stock	-	1,190,592
Total	\$ 2,839,751	\$ 22,894,947

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 2 - Deposits and Investments (Continued)

At December 31, 2011, deposits and investments are reported in the financial statements as follows:

	2011	
	Cash and Cash Equivalents	Investment Securities
Deposits:		
Cash	\$ 244,108	\$ -
Money market	205,443	-
Total deposits	<u>449,551</u>	<u>-</u>
Investments:		
Money market mutual funds	\$ 2,514,640	\$ -
U.S. Treasury securities	-	8,451,575
U.S. agencies and pass-throughs	-	12,730,393
Mutual fund (stock)	-	510,631
Common stock	-	743,452
Total	<u>\$ 2,964,191</u>	<u>\$ 22,436,051</u>

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'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.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 2 - Deposits and Investments (Continued)

Effective December 31, 2010 through December 31, 2012, the FDIC implemented the "Dodd-Frank Act" that altered the FDIC coverage to fully guarantee all noninterest-bearing transaction accounts, but restricted the guarantee to a maximum of \$250,000 on accounts bearing nominal interest rates. Effective January 1, 2013, the FDIC will no longer fully guarantee noninterest bearing accounts, but will restrict the guarantee to a maximum of \$250,000 on all deposits.

The Pool maintains balances in its deposit accounts to adequately cover current operating and claim payment expenses. At December 31, 2012, the Pool had \$382,092 in bank deposits that were uninsured and uncollateralized. At December 31, 2011, the Pool had no bank deposits that were uninsured and uncollateralized.

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, 2012, the average maturities of investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 10,038,068	2.94
U.S. agencies and pass-throughs	11,132,632	2.98
Money market mutual fund	1,955,441	1.00
Total fair value	<u>\$ 23,126,141</u>	
Portfolio weighted average maturity		<u>2.79</u>

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 2 - Deposits and Investments (Continued)

At December 31, 2011, the average maturities of investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 8,451,575	3.22
U.S. agencies and pass-throughs	12,730,393	2.93
Money market mutual fund	2,514,640	1.00
Total fair value	\$ 23,696,608	
Portfolio weighted average maturity		2.83

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations. In accordance with the Pool's investment policy, the Pool may invest in U.S. government securities and certain equities.

At December 31, 2012 and 2011, the credit quality ratings of debt securities by investment type (other than the U.S. government) are as follows:

Rating	Fair Value	
	2012	2011
U.S. agencies and pass-throughs:		
Aaa	\$ 7,480,139	\$ 8,967,816
Aa2	3,652,493	3,762,577
Total	\$ 11,132,632	\$ 12,730,393

The rating organization used by the Pool to rate its investments was Moody's.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk - The Pool places no limit on the amount it may invest in any one issuer. At December 31, 2012, the Pool had investments of \$1,891,865 in Federal Home Loan Bank, \$1,150,236 in Freddie Mac and \$8,090,531 in Fannie Mae; these investments represent 8 percent, 5 percent and 35 percent of the Pool's total investments. At December 31, 2011, the Pool had investments of \$1,083,751 in Federal Home Loan Bank, \$1,914,478 in Freddie Mac and \$9,874,217 in Fannie Mae; these investments represent 5 percent, 9 percent and 44 percent of the Pool's total investments.

Note 3 - Claims and Claim Adjustment Expense Reserves

For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Because actual claim costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in estimating claim liabilities does not necessarily result in an exact amount, particularly for coverage such as third-party liability; it is reasonably possible that a material change in the estimate will occur within the near term and thus the actual claims paid may be substantially different than these estimates. Consistent to industry practices, adjustments to claim reserves are charged to expense in the periods in which they are made.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

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

The following summarizes changes in claims and claim adjustment expense reserves for the years ended December 31, 2012, 2011, and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Claims and Claim Adjustment Expense Reserves - Beginning of year	\$ 9,086,447	\$ 9,936,923	\$ 12,017,434
Incurred Claims and Claim Adjustment Expenses:			
Provision for claims incurred in current year	6,461,848	5,883,627	6,719,652
Decrease in provision for claims incurred in prior years	<u>(1,741,249)</u>	<u>(1,478,027)</u>	<u>(2,618,053)</u>
Total expenses	4,720,599	4,405,600	4,101,599
Payments:			
Claims and claim adjustment expenses paid for claims incurred in current year	(2,851,466)	(2,453,047)	(2,880,586)
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>(2,209,034)</u>	<u>(2,803,029)</u>	<u>(3,301,524)</u>
Total payments	<u>(5,060,500)</u>	<u>(5,256,076)</u>	<u>(6,182,110)</u>
Claims and Claim Adjustment Expense Reserves - End of year	<u>\$ 8,746,546</u>	<u>\$ 9,086,447</u>	<u>\$ 9,936,923</u>

Reserves for claims and claim adjustment expenses attributable to insured events in prior years changed as a result of reestimation of unpaid claims and claim 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.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 4 - Reinsurance and Excess Risk-sharing Agreements

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large specific and aggregate losses. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements. Premiums ceded to reinsurance carriers and the risk-sharing pool during the years ended December 31, 2012 and 2011 totaled \$1,781,937 and \$1,994,904, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2012 and 2011 for reinsurance and excess risk-sharing agreements totaled approximately \$5,157,000 and \$3,367,000, respectively.

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

Note 5 - Member Withdrawals - Capitalization

In 2012, 3 members withdrew from the Pool while 12 members withdrew in 2011. In accordance with the Intergovernmental Contract, these withdrawals resulted in refunds to members of \$2,609 in 2012 and \$35,516 in 2011, respectively. Upon withdrawal, these members became responsible for all of their respective reported and unreported casualty claims and claim adjustment expenses.

Note 6 - Member Distributions - Budgetary

The Pool made cash distributions to members of approximately \$2,000 for the year ended December 31, 2011. There were no approved or paid budgetary distributions for the year ended December 31, 2012.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2012 and 2011

Note 7 - Member Distributions - Cumulative Reserve Fund

Beginning in 2011, the Pool changed the funding and maintenance levels for member's Cumulative Reserve Funds (CRF) from 300 percent to 200 percent of its total current basis rate. Members will continue to follow a six year cycle before fully vesting in their CRF. In the year after a member becomes fully vested, the Pool makes the first of two annual distributions to the member to reduce the member's CRF balance to 200 percent (if its basis rate exceeds 200 percent). For members joining the Pool on January 1, 2011 or later, members will only fund their CRF to 200 percent; therefore no distribution will be necessary after a member is fully vested. CRF distributions totaled \$1,468,652 for the year ended December 31, 2012 and \$1,458,064 for the year ended December 31, 2011.

Note 8 - Member Contributions

The following summarizes the components of member contributions for the years ended December 31, 2012 and 2011:

	2012	2011
Member contributions - Operating	\$ 13,109,420	\$12,857,589
Member contributions - Cumulative reserve fund	134,337	125,764
Change in unearned premium reserves	37,784	(1,270)
Total member contributions	<u>\$ 13,281,541</u>	<u>\$12,982,083</u>

Required Supplemental Schedules

Ohio Township Association Risk Management Authority

Casualty Claims Development Information

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required contributions and investment income :										
Earned	\$ 5,923,657	\$ 6,087,953	\$ 7,022,261	\$ 7,976,953	\$ 7,501,562	\$ 7,280,411	\$ 7,137,094	\$ 6,862,131	\$ 6,609,936	\$ 6,624,968
Ceded	851,490	947,665	1,136,343	1,096,907	1,419,049	1,221,895	1,114,223	960,105	884,370	896,331
Net	5,072,167	5,140,288	5,885,918	6,880,046	6,082,513	6,058,516	6,022,871	5,902,026	5,725,566	5,728,637
2. Expenses other than allocated claim adjustment expenses	1,820,586	1,952,051	2,031,927	2,072,105	2,014,329	2,032,316	2,052,690	2,001,633	2,133,385	2,227,739
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	3,979,713	5,015,109	5,070,171	4,518,977	5,261,308	5,665,051	4,987,471	5,689,607	4,216,736	3,782,764
Ceded	472,609	524,939	448,888	427,789	796,650	1,101,690	421,258	1,706,120	694,898	280,266
Net	3,507,104	4,490,170	4,621,283	4,091,188	4,464,658	4,563,361	4,566,213	3,983,487	3,521,838	3,502,498
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	289,935	294,098	314,354	346,036	369,546	434,047	478,197	477,826	501,138	718,981
One year later	814,683	832,000	892,705	832,787	1,205,989	939,105	1,334,999	1,185,524	868,189	-
Two years later	1,628,949	1,444,200	1,588,974	1,612,959	1,705,436	1,717,639	1,941,696	1,667,463	-	-
Three years later	2,003,355	2,429,413	2,357,397	2,678,137	2,432,602	2,318,923	2,266,178	-	-	-
Four years later	2,414,089	2,957,396	2,549,169	3,094,370	3,041,373	2,502,839	-	-	-	-
Five years later	2,499,477	3,002,515	2,578,655	3,215,785	3,359,146	-	-	-	-	-
Six years later	2,660,581	3,113,806	2,584,262	3,243,128	-	-	-	-	-	-
Seven years later	2,667,522	3,115,411	2,587,167	-	-	-	-	-	-	-
Eight years later	2,703,771	3,115,411	-	-	-	-	-	-	-	-
Nine years later	2,708,329	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	211,965	221,216	259,239	1,827,065	770,210	(8,770)	233,242	3,383,347	-	280,266
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	3,507,104	4,490,170	4,621,283	4,091,188	4,464,658	4,563,361	4,566,213	3,983,487	3,521,838	3,502,498
One year later	4,372,364	4,290,646	4,002,462	3,634,702	4,316,937	4,214,489	4,011,253	3,474,777	3,185,845	-
Two years later	3,718,702	3,759,479	3,429,248	3,895,319	3,567,536	3,272,262	3,919,516	3,074,912	-	-
Three years later	3,027,239	4,294,101	2,886,195	4,070,436	3,325,321	2,759,585	3,012,831	-	-	-
Four years later	2,887,272	3,244,973	2,891,536	3,548,854	3,593,397	2,695,271	-	-	-	-
Five years later	2,934,136	3,200,665	2,776,601	3,520,393	3,419,589	-	-	-	-	-
Six years later	2,863,435	3,196,817	2,597,758	3,586,565	-	-	-	-	-	-
Seven years later	2,737,356	3,115,411	2,602,880	-	-	-	-	-	-	-
Eight years later	2,717,348	3,115,411	-	-	-	-	-	-	-	-
Nine years later	2,724,745	-	-	-	-	-	-	-	-	-
7. Decrease in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (782,359)</u>	<u>\$ (1,374,759)</u>	<u>\$ (2,018,403)</u>	<u>\$ (504,623)</u>	<u>\$ (1,045,069)</u>	<u>\$ (1,868,090)</u>	<u>\$ (1,553,382)</u>	<u>\$ (908,575)</u>	<u>\$ (335,993)</u>	<u>\$ -</u>

Ohio Township Association Risk Management Authority

Property Claims Development Information

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required contributions and investment income:										
Earned	\$ 5,149,790	\$ 5,533,121	\$ 5,996,083	\$ 6,285,330	\$ 6,537,998	\$ 6,668,098	\$ 6,771,733	\$ 6,783,382	\$ 6,850,634	\$ 7,009,382
Ceded	801,391	883,832	982,243	973,575	999,555	948,429	1,063,882	1,119,658	1,110,532	885,606
Net	4,348,399	4,649,289	5,013,840	5,311,755	5,538,443	5,719,669	5,707,851	5,663,724	5,740,102	6,123,776
2. Expenses other than allocated claim adjustment expenses	1,886,546	2,014,315	2,156,482	2,220,448	2,312,054	2,391,094	2,481,997	2,509,725	2,556,423	2,618,646
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	2,698,901	2,122,742	2,101,728	1,997,715	3,618,929	4,777,256	3,080,269	3,053,830	2,778,501	3,535,583
Ceded	666,451	291,322	29,494	63,091	92,042	463,369	704,459	317,665	415,974	576,233
Net	2,032,450	1,831,420	2,072,234	1,934,624	3,526,887	4,313,887	2,375,810	2,736,165	2,362,527	2,959,350
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	1,564,806	1,373,094	1,382,464	1,371,775	1,622,730	2,912,543	2,034,838	2,402,760	1,951,909	2,132,485
One year later	1,836,369	1,739,689	1,770,066	1,689,615	1,961,352	3,535,737	2,394,347	2,496,917	2,445,465	-
Two years later	1,847,895	1,757,678	1,776,163	1,647,863	1,990,499	3,558,202	2,346,005	2,501,900	-	-
Three years later	1,861,373	1,762,522	1,778,813	1,640,046	1,971,281	3,568,698	2,345,936	-	-	-
Four years later	1,852,425	1,779,805	1,779,446	1,661,945	1,971,022	3,567,831	-	-	-	-
Five years later	1,852,769	1,703,831	1,779,446	1,666,858	1,970,819	-	-	-	-	-
Six years later	1,853,123	1,703,781	1,779,446	1,664,270	-	-	-	-	-	-
Seven years later	1,750,385	1,703,781	1,779,446	-	-	-	-	-	-	-
Eight years later	1,754,514	1,703,781	-	-	-	-	-	-	-	-
Nine years later	1,754,514	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	260,575	296,064	190,264	21,535	1,143,823	764,881	704,459	283,819	312,578	576,233
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	2,032,450	1,831,420	2,072,234	1,934,624	3,526,887	4,313,887	2,375,810	2,736,165	2,362,527	2,959,350
One year later	1,912,490	1,984,417	1,818,920	1,764,027	2,261,392	3,712,790	2,426,014	2,488,333	2,434,318	-
Two years later	1,894,381	1,968,388	1,779,960	1,668,772	2,003,993	3,589,594	2,366,194	2,502,075	-	-
Three years later	1,892,456	1,967,775	1,787,457	1,645,112	1,978,387	3,581,952	2,360,602	-	-	-
Four years later	1,871,985	1,983,914	1,779,446	1,686,485	1,974,118	3,581,086	-	-	-	-
Five years later	1,880,381	1,703,839	1,779,446	1,677,099	1,976,685	-	-	-	-	-
Six years later	1,871,745	1,703,781	1,779,446	1,661,550	-	-	-	-	-	-
Seven years later	1,769,007	1,703,781	1,779,446	-	-	-	-	-	-	-
Eight years later	1,754,514	1,703,781	-	-	-	-	-	-	-	-
Nine years later	1,754,514	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (277,936)</u>	<u>\$ (127,639)</u>	<u>\$ (292,788)</u>	<u>\$ (273,074)</u>	<u>\$ (1,550,202)</u>	<u>\$ (732,801)</u>	<u>\$ (15,208)</u>	<u>\$ (234,090)</u>	<u>\$ 71,791</u>	<u>\$ -</u>

Ohio Township Association Risk Management Authority

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

	Fiscal and Policy Years Ended December 31					
	2012			2011		
	Liability	Property	Total	Liability	Property	Total
Unpaid claims and claim adjustment expenses liability - Beginning of year	\$ 8,636,662	\$ 449,785	\$ 9,086,447	\$ 9,478,232	\$ 458,691	\$ 9,936,923
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current fiscal year	3,502,498	2,959,350	6,461,848	3,507,243	2,376,384	5,883,627
Change in provision for insured events of prior fiscal years	<u>(1,807,343)</u>	<u>66,094</u>	<u>(1,741,249)</u>	<u>(1,132,980)</u>	<u>(345,047)</u>	<u>(1,478,027)</u>
Total incurred claims and claim adjustment expense	1,695,155	3,025,444	4,720,599	2,374,263	2,031,337	4,405,600
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	718,981	2,132,485	2,851,466	501,138	1,951,909	2,453,047
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>1,713,138</u>	<u>495,896</u>	<u>2,209,034</u>	<u>2,714,695</u>	<u>88,334</u>	<u>2,803,029</u>
Total payments	<u>2,432,119</u>	<u>2,628,381</u>	<u>5,060,500</u>	<u>3,215,833</u>	<u>2,040,243</u>	<u>5,256,076</u>
Unpaid claims and claim adjustment expenses liability - End of year	<u>\$ 7,899,698</u>	<u>\$ 846,848</u>	<u>\$ 8,746,546</u>	<u>\$ 8,636,662</u>	<u>\$ 449,785</u>	<u>\$ 9,086,447</u>

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*

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*

To the Board of Directors
Ohio Township Association Risk
Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Township Association Risk Management Authority (the "Pool") as of and for the year ended December 31, 2012 and related notes to the basic financial statements, and have issued our report thereon dated May 13, 2013.

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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

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

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

To the Board of Directors
Ohio Township Association Risk
Management Authority

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

May 13, 2013

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Dave Yost • Auditor of State

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 4, 2013