

PUBLIC ENTITIES POOL OF OHIO

Basic Financial Statements and Schedules

December 31, 2005 and 2004

(With Independent Auditor's Report Thereon)



**Auditor of State
Betty Montgomery**

Board of Directors
Public Entities Pool of Ohio
29621 Northwestern HWY
P. O. Box 5088
Southfield, MI 48086

We have reviewed the *Independent Auditor's Report* of the Public Entities Pool of Ohio, Lucas County, prepared by Plante & Moran, PLLC, 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 Public Entities Pool of Ohio is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 12, 2006

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PUBLIC ENTITIES POOL OF OHIO

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Independent Auditor's Report

To the Board of Directors
Public Entities Pool of Ohio

We have audited the accompanying statement of net assets of Public Entities Pool of Ohio as of December 31, 2005 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years 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 Public Entities Pool of Ohio 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 Public Entities Pool of Ohio at December 31, 2005 and the changes in its financial position, including cash flows, for the years 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 Public Entities Pool of Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That 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.

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.

To the Board of Directors
Public Entities Pool of Ohio

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Public Entities Pool of Ohio'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

PUBLIC ENTITIES POOL OF OHIO

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 Public Entities Pool of Ohio (the "Pool"). This section, the management's discussion and analysis, is intended to provide an overview of the Pool's financial condition, results 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 \$17,100,593 and \$16,665,330, respectively. This represents an increase of \$435,263, or 2.61%, from 2004 to 2005. The increase in net assets results from an operating loss of \$864,371, nonoperating income of \$273,985, and net capitalization contributions of \$1,025,649. The Pool maintains a member contribution to net assets ratio of 0.51:1 and 0.47:1 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 increased 9.58%, or \$969,752, to \$11,093,318 from \$10,123,566 in 2004. The increase is due primarily to the increase of \$924,741 or 11.76% in member contributions. Operating contributions are derived from member contributions for risk-sharing protection. 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 changes in net assets and totaled \$1,291,417 and \$1,189,439 for the years ended December 31, 2005 and 2004, respectively.
- Loss and loss adjustment expenses paid increased from \$3,787,691 in 2004 to \$5,433,856 in 2005. The change in loss and loss adjustment expense reserves (net of reinsurance) increased from \$2,234,901 in 2004 to \$2,565,068 in 2005, related primarily to an increase in casualty claims during 2005. As would be expected with the increase in the number of casualty claims reported in 2005, the losses and loss adjustment expense reserves increased from \$12,401,149 in 2004 to \$14,970,916 in 2005.
- General and administrative expenses increased 6.33%, or \$235,800, to \$3,958,765 in 2005 from \$3,722,965 in 2004.

PUBLIC ENTITIES POOL OF OHIO

Management's Discussion and Analysis

December 31, 2005 and 2004

Financial Overview

Approximately 50.4% in 2005 and 53.3% in 2004 of the assets consist of cash, cash equivalents, and investments. Approximately 87.7% in 2005 and 86.0% 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	\$ 1,412,850	\$ 1,960,849	-27.95%
Investment securities, at fair value	15,805,971	14,598,725	8.27%
Unpaid claims to be billed in the future	14,351,931	12,044,098	19.16%
Other assets	2,592,255	2,481,769	4.45%
Total assets	34,163,007	31,085,441	9.90%
Losses and loss adjustment expense reserves	14,970,916	12,401,149	20.72%
Unearned premium reserves	1,380,426	1,393,994	-0.97%
Other liabilities	711,072	624,968	13.78%
Total liabilities	17,062,414	14,420,111	18.32%
Net Assets - Unrestricted	\$ 17,100,593	\$ 16,665,330	2.61%

Losses and loss adjustment expense reserves represent an estimate of the ultimate cost of losses, 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 insurance contracts with American Public Entity Excess Pool (APEEP) to recover specific claim losses in excess of stated amounts in the excess insurance contract.

PUBLIC ENTITIES POOL OF OHIO

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 Revenue	\$ 11,093,318	\$ 10,123,566	9.58%
Operating Expenses:			
Total losses and loss adjustment expenses incurred	7,998,924	6,022,592	32.82%
General and administrative expenses	3,958,765	3,722,965	6.33%
Total operating expenses	11,957,689	9,745,557	22.70%
Operating (loss) income	(864,371)	378,009	-328.66%
Nonoperating Revenue:			
Interest and dividends	704,867	655,590	7.52%
Decrease in fair value of investments	(430,882)	(309,431)	39.25%
Total nonoperating revenue	273,985	346,159	-20.85%
Excess of revenue (under) over expenses	(590,386)	724,168	-181.53%
Capitalization Distributions	265,768	30,142	781.72%
Capitalization Contribution - Cumulative Reserve Fund	1,291,417	1,189,439	8.57%
Change in net assets	435,263	1,883,465	-76.89%
Net Assets - Beginning of year	16,665,330	14,781,865	
Net Assets - End of year	\$ 17,100,593	\$ 16,665,330	

PUBLIC ENTITIES POOL OF OHIO

Statement of Net Assets

December 31, 2005

Assets	Casualty	Property	Total
Current Assets			
Cash and cash equivalents (Note 3)	\$ 45,286	\$ 1,367,564	\$ 1,412,850
Claims servicer imprest fund	103,434	52,037	155,471
Contributions receivable	1,041,960	646,539	1,688,499
Accrued investment income	176,619	22,328	198,947
Deductibles recoverable	30,518	—	30,518
Reinsurance receivable on paid claims (Note 5)	—	367,680	367,680
Claims escrow fund	151,140	—	151,140
Unpaid claims to be billed in the future	4,150,000	—	4,150,000
	5,698,957	2,456,148	8,155,105
Noncurrent Assets			
Investment securities, at fair value (Note 3)	13,818,787	1,987,184	15,805,971
Unpaid claims to be billed in the future	10,201,931	—	10,201,931
	24,020,718	1,987,184	26,007,902
Total assets	\$ 29,719,675	\$ 4,443,332	\$ 34,163,007
Liabilities and Net Assets			
Current Liabilities			
Losses and loss adjustment expense reserves (Note 4)	\$ 4,150,000	\$ 618,984	\$ 4,768,984
Reinsurance premiums payable (Note 5)	—	236,750	236,750
Accounts payable and accrued expenses	261,811	212,511	474,322
	4,411,811	1,068,245	5,480,056
Noncurrent Liabilities			
Losses and loss adjustment expense reserves (Note 4)	10,201,931	—	10,201,931
Unearned premium reserves	1,380,426	—	1,380,426
	11,582,357	—	11,582,357
Total liabilities	15,994,168	1,068,245	17,062,413
Net Assets – Unrestricted	13,725,507	3,375,087	17,100,594
Total liabilities and net assets	\$ 29,719,675	\$ 4,443,332	\$ 34,163,007

See notes to basic financial statements.

PUBLIC ENTITIES POOL OF OHIO

Statement of Net Assets

December 31, 2004

Assets	Casualty	Property	Total
	<u> </u>	<u> </u>	<u> </u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ —	\$ 1,960,849	\$ 1,960,849
Contributions receivable	1,067,630	511,699	1,579,329
Investment securities, at fair value (Note 3)	2,343,780	—	2,343,780
Accrued investment income	199,120	11,848	210,968
Deductibles recoverable	12,188	—	12,188
Reinsurance receivable on paid claims (Note 5)	—	163,877	163,877
Due from American Public Entity Excess Pool	—	173,686	173,686
Due from casualty fund (Note 6)	—	98,894	98,894
Claims escrow fund	151,140	—	151,140
Unpaid claims to be billed in the future	3,500,000	—	3,500,000
	<u>7,273,858</u>	<u>2,920,853</u>	<u>10,194,711</u>
Noncurrent Assets			
Investment securities, at fair value (Note 3)	11,619,213	635,732	12,254,945
American Public Entity Excess Pool Guarantee Fund	—	91,687	91,687
Unpaid claims to be billed in the future	8,544,098	—	8,544,098
	<u>20,163,311</u>	<u>727,419</u>	<u>20,890,730</u>
Total assets	<u>\$ 27,437,169</u>	<u>\$ 3,648,272</u>	<u>\$ 31,085,441</u>
Liabilities and Net Assets			
Current Liabilities			
Losses and loss adjustment expense reserves (Note 4)	\$ 3,500,000	\$ 357,051	\$ 3,857,051
Reinsurance premiums payable (Note 5)	—	12,851	12,851
Due to Property Fund (Note 6)	98,894	—	98,894
Accounts payable and accrued expenses	343,052	170,171	513,223
	<u>3,941,946</u>	<u>540,073</u>	<u>4,482,019</u>
Noncurrent Liabilities			
Losses and loss adjustment expense reserves (Note 4)	8,544,098	—	8,544,098
Unearned premium reserves	1,393,994	—	1,393,994
	<u>9,938,092</u>	<u>—</u>	<u>9,938,092</u>
Total liabilities	13,880,038	540,073	14,420,111
Net Assets – Unrestricted	13,557,131	3,108,199	16,665,330
Total liabilities and net assets	<u>\$ 27,437,169</u>	<u>\$ 3,648,272</u>	<u>\$ 31,085,441</u>

See notes to basic financial statements.

PUBLIC ENTITIES POOL OF OHIO

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended December 31, 2005

	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
Operating Revenue			
Member contributions:			
Operating	\$ 6,189,114	\$ 5,633,727	\$ 11,822,841
Reinsurance premiums ceded (Note 5)	<u>(1,413,416)</u>	<u>(1,623,940)</u>	<u>(3,037,356)</u>
Net operating contributions	4,775,698	4,009,787	8,785,485
Contributions that will be billed in the future to pay unpaid claims	<u>2,307,833</u>	<u>—</u>	<u>2,307,833</u>
Total operating revenues	<u>7,083,531</u>	<u>4,009,787</u>	<u>11,093,318</u>
Operating Expenses			
Losses and loss adjustment expenses incurred:			
Losses and loss adjustment expenses paid	5,554,695	2,063,329	7,618,024
Less recoveries	<u>(1,740,746)</u>	<u>(443,422)</u>	<u>(2,184,168)</u>
Losses and loss adjustment expenses paid, net of recoveries (Note 4)	3,813,949	1,619,907	5,433,856
Change in losses and loss adjustment expense reserves	2,307,833	590,942	2,898,775
Change in reinsurance applicable to unpaid claims	<u>—</u>	<u>(333,707)</u>	<u>(333,707)</u>
Total losses and loss adjustment expenses incurred (Note 4)	<u>6,121,782</u>	<u>1,877,142</u>	<u>7,998,924</u>
General and Administrative Expenses			
Marketing and administrator's fees	1,712,759	1,857,796	3,570,555
Other	<u>306,593</u>	<u>81,617</u>	<u>388,210</u>
Total general and administrative expenses	<u>2,019,352</u>	<u>1,939,413</u>	<u>3,958,765</u>
Total operating expenses and general and administrative expenses	<u>8,141,134</u>	<u>3,816,555</u>	<u>11,957,689</u>
Operating (loss) income	<u>(1,057,603)</u>	<u>193,232</u>	<u>(864,371)</u>
Nonoperating Revenue			
Interest and dividends	603,102	101,766	704,868
Decrease in fair value of investments	<u>(402,772)</u>	<u>(28,110)</u>	<u>(430,882)</u>
Total nonoperating revenue	<u>200,330</u>	<u>73,656</u>	<u>273,986</u>
Excess of revenue (under) over expenses	(857,273)	266,888	(590,385)
Member Distributions - Capitalization (Note 7)	265,768	—	265,768
Contributions - Capitalization - Cumulative Reserve Fund	<u>1,291,417</u>	<u>—</u>	<u>1,291,417</u>
Increase in net assets	168,375	266,888	435,264
Net Assets - Beginning of year	<u>13,557,131</u>	<u>3,108,199</u>	<u>16,665,330</u>
Net Assets - End of year	<u>\$ 13,725,507</u>	<u>\$ 3,375,087</u>	<u>\$ 17,100,594</u>

See notes to basic financial statements.

PUBLIC ENTITIES POOL OF OHIO

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended December 31, 2004

	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
Operating Revenue			
Member contributions:			
Operating	\$ 5,434,839	\$ 5,088,431	\$ 10,523,270
Reinsurance premiums ceded (Note 5)	<u>(1,351,193)</u>	<u>(1,311,333)</u>	<u>(2,662,526)</u>
Net operating contributions	4,083,646	3,777,098	7,860,744
Contributions that will be billed in the future to pay unpaid claims	<u>2,262,822</u>	<u>—</u>	<u>2,262,822</u>
Total operating revenues	<u>6,346,468</u>	<u>3,777,098</u>	<u>10,123,566</u>
Operating Expenses			
Losses and loss adjustment expenses incurred:			
Losses and loss adjustment expenses paid	2,465,408	1,612,659	4,078,067
Less recoveries	<u>(46,224)</u>	<u>(244,152)</u>	<u>(290,376)</u>
Losses and loss adjustment expenses paid, net of recoveries (Note 4)	2,419,184	1,368,507	3,787,691
Change in losses and loss adjustment expense reserves	2,262,822	(23,223)	2,239,599
Change in reinsurance applicable to unpaid claims	<u>—</u>	<u>(4,698)</u>	<u>(4,698)</u>
Total losses and loss adjustment expenses incurred (Note 4)	<u>4,682,006</u>	<u>1,340,586</u>	<u>6,022,592</u>
General and Administrative Expenses			
Marketing and administrator's fees	1,620,762	1,689,069	3,309,831
Other	<u>348,533</u>	<u>64,601</u>	<u>413,134</u>
Total general and administrative expenses	<u>1,969,295</u>	<u>1,753,670</u>	<u>3,722,965</u>
Total operating expenses and general and administrative expenses	<u>6,651,301</u>	<u>3,094,256</u>	<u>9,745,557</u>
Operating (loss) income	<u>(304,833)</u>	<u>682,842</u>	<u>378,009</u>
Nonoperating Revenue			
Interest and dividends	610,951	44,639	655,590
(Decrease) increase in fair value of investments	<u>(323,397)</u>	<u>13,966</u>	<u>(309,431)</u>
Total nonoperating revenue	<u>287,554</u>	<u>58,605</u>	<u>346,159</u>
Excess of revenue (under) over expenses	(17,279)	741,447	724,168
Member Distributions - Capitalization (Note 7)	30,142	—	30,142
Contributions - Capitalization - Cumulative Reserve Fund	<u>1,189,439</u>	<u>—</u>	<u>1,189,439</u>
Increase in net assets	1,142,018	741,447	1,883,465
Net Assets - Beginning of year	<u>12,415,113</u>	<u>2,366,752</u>	<u>14,781,865</u>
Net Assets - End of year	\$ <u><u>13,557,131</u></u>	\$ <u><u>3,108,199</u></u>	\$ <u><u>16,665,330</u></u>

See notes to basic financial statements.

PUBLIC ENTITIES POOL OF OHIO

Statement of Cash Flows

Year Ended December 31, 2005

	Casualty	Property	Total
Cash flows from operating activities:			
Receipts from members	\$ 6,127,835	\$ 5,498,887	\$ 11,626,722
Receipts for recoveries	1,722,416	443,422	2,165,838
Payments for claims	(5,658,129)	(2,115,366)	(7,773,495)
Payments for reinsurance premiums	(1,413,416)	(1,333,774)	(2,747,190)
Payments for administrative and general expenses	(2,100,593)	(1,897,072)	(3,997,665)
Net cash (used in) provided by operating activities	(1,321,887)	596,097	(725,790)
Cash flows from noncapital financing activities:			
Receipts from members – Cumulative Reserve Fund	1,364,798	—	1,364,798
Payment for member withdrawal – Capitalization	(265,768)	—	(265,768)
Payments (to) from other fund	(98,894)	98,894	—
Net cash provided by noncapital financing activities	1,000,136	98,894	1,099,030
Cash flows from investing activities:			
Purchases of investment securities	(7,258,218)	(2,011,487)	(9,269,705)
Proceeds from investment securities:			
Maturities	900,000	—	900,000
Sales	6,099,652	631,925	6,731,577
Investment income received	625,603	91,286	716,889
Net cash provided by (used in) investing activities	367,037	(1,288,276)	(921,239)
Net increase (decrease) in cash and cash equivalents	45,286	(593,285)	(547,999)
Cash and cash equivalents:			
Beginning of year	—	1,960,849	1,960,849
End of year	\$ 45,286	\$ 1,367,564	\$ 1,412,850
Reconciliation of operating (loss) income to net cash from operating activities:			
Operating (loss) income	\$ (1,057,603)	\$ 193,232	\$ (864,371)
Decrease (increase) in:			
Claims servicer imprest fund	(103,434)	(52,037)	(155,471)
Contributions receivable	(61,279)	(134,840)	(196,119)
Deductibles recoverable	(18,330)	—	(18,330)
Reinsurance receivable on paid claims	—	(203,803)	(203,803)
Due from American Public Entity Excess Pool	—	173,686	173,686
American Public Entity Excess Pool Guarantee Fund	—	91,687	91,687
Unpaid claims to be billed in the future	(2,307,833)	—	(2,307,833)
Increase (decrease) in:			
Losses and loss adjustment expense reserves	2,307,833	261,933	2,569,766
Reinsurance premiums payable	—	223,899	223,899
Accounts payable and accrued expenses	(81,241)	42,340	(38,901)
Net cash (used in) provided by operating activities	\$ (1,321,887)	\$ 596,097	\$ (725,790)

See notes to basic financial statements.

PUBLIC ENTITIES POOL OF OHIO

Statement of Cash Flows

Year Ended December 31, 2004

	Casualty	Property	Total
Cash flows from operating activities:			
Receipts from members	\$ 5,396,017	\$ 5,063,513	\$ 10,459,530
Receipts for recoveries	42,215	248,850	291,065
Payments for claims	(2,465,408)	(1,612,659)	(4,078,067)
Payments for reinsurance premiums	(1,351,193)	(945,868)	(2,297,061)
Payments for administrative and general expenses	(1,932,669)	(1,746,332)	(3,679,001)
Net cash (used in) provided by operating activities	(311,038)	1,007,504	696,466
Cash flows from noncapital financing activities:			
Receipts from members – Cumulative Reserve Fund	1,425,367	—	1,425,367
Payment for member withdrawal – Capitalization	(30,142)	—	(30,142)
Payments from (to) other fund	98,894	(98,894)	—
Net cash provided by (used in) noncapital financing activities	1,494,119	(98,894)	1,395,225
Cash flows from investing activities:			
Purchases of investment securities	(5,331,466)	(360,593)	(5,692,059)
Proceeds from investment securities:			
Maturities	150,000	—	150,000
Sales	3,301,129	—	3,301,129
Investment income received	597,265	38,699	635,964
Net cash used in investing activities	(1,283,072)	(321,894)	(1,604,966)
Net (decrease) increase in cash and cash equivalents	(99,991)	586,716	486,725
Cash and cash equivalents:			
Beginning of year	99,991	1,374,133	1,474,124
End of year	\$ —	\$ 1,960,849	\$ 1,960,849
Reconciliation of operating (loss) income to net cash from operating activities:			
Operating (loss) income	\$ (304,833)	\$ 682,842	\$ 378,009
Decrease (increase) in:			
Contributions receivable	(38,822)	(24,918)	(63,740)
Deductibles recoverable	(4,009)	—	(4,009)
Reinsurance recoverable on paid claims	—	119,549	119,549
Due from American Public Entity Excess Pool	—	482,019	482,019
Reinsurance recoverable on unpaid losses	1,629,448	—	1,629,448
Unpaid claims to be billed in the future	(2,262,822)	—	(2,262,822)
Increase (decrease) in:			
Losses and loss adjustment expense reserves	633,374	(27,921)	605,453
Reinsurance premiums payable	—	(231,405)	(231,405)
Accounts payable and accrued expenses	36,626	7,338	43,964
Net cash (used in) provided by operating activities	\$ (311,038)	\$ 1,007,504	\$ 696,466

See notes to basic financial statements.

PUBLIC ENTITIES POOL OF OHIO

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 1 – Description of Organization

Public Entities Pool of Ohio (the “Pool”) was created in 1986 and organized under the laws of the State of Ohio as a governmental group property and casualty self-insurance pool. A total of 439 governmental entities 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 rate, 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.

PUBLIC ENTITIES POOL OF OHIO

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 (see 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, 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 from April 1, 1997 through December 31, 2004, the Pool participated in a nonrisk-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 (see 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 separate agreements between ARPCO and the respective contractors, Burnham and Flower Agency of Ohio, Inc. (BFA) and Acordia of Ohio LLC (Acordia), BFA and Acordia provide marketing, underwriting, billing, and collection services. The Association of Ohio Health Commissioners (AOHC) and the Ohio Parks and Recreation Association (OPRA) endorse the Pool. Crawford and Company (Crawford) provides claim services. Public Entity Risk Services of Ohio (PERSO), an ARPCO affiliate, provides loss control services. ARPCO, BFA, Acordia, AOHC, and OPRA are compensated for their respective services based on percentages of the members' casualty basis rates and casualty excess and property contributions. Crawford and PERSO 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.

PUBLIC ENTITIES POOL OF OHIO

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 purposes.

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.

Losses and Loss Adjustment Expense Reserves - Losses and loss 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 No. 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 of the statement of net assets 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.

PUBLIC ENTITIES POOL OF OHIO

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 3 – Deposits and Investments

The Pool designated Fifth Third Bank for the deposit of funds and handling 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:

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 \$1,479,742 had \$1,379,742 of 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 the financial institution with which it deposits trusts and assesses the level of risk of the 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 restricts the maximum maturity for any one issue to no more than 10 years. The Pool's policy also 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	\$ 5,254,454	4.96
U.S. agency and passthroughs	<u>10,551,517</u>	3.28
Total fair value	<u>\$ 15,805,971</u>	
Portfolio weighted average maturity		<u>3.84</u>

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 U.S. Treasury obligation fund.

Note 4 – Losses and Loss Adjustment Expense Reserves

The Pool establishes loss reserves based upon estimates of the ultimate cost of losses, including future loss 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.

PUBLIC ENTITIES POOL OF OHIO

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 4 – Losses and Loss Adjustment Expense Reserves (Continued)

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 losses and loss adjustment expenses make a reasonable provision to cover the ultimate losses, 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
Losses and loss adjustment expense reserves beginning of year	\$12,044,098	\$9,781,276
Incurred losses and loss adjustment expenses:		
Current year	6,101,502	4,999,184
Increase (decrease) in prior years' provisions	20,280	(317,178)
Total incurred losses and loss adjustment expenses	6,121,782	4,682,006
Payments attributed to:		
Current year	(336,004)	(331,445)
Prior years	(3,477,945)	(2,087,739)
Total payments	(3,813,949)	(2,419,184)
Losses and loss adjustment expense reserves end of year	\$14,351,931	\$12,044,098

PUBLIC ENTITIES POOL OF OHIO

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 4 – Losses and Loss Adjustment Expense Reserves (Continued)

	Property	
	2005	2004
Losses and loss adjustment expense reserves		
beginning of year	\$ 357,051	\$ 361,332
Less reinsurance recoverable	4,698	23,640
Net unpaid losses and loss adjustment expenses at beginning of year	361,749	384,972
Net incurred losses and loss adjustment expenses:		
Current year provision	1,958,302	1,428,959
Decrease in prior years' provisions	(81,160)	(88,373)
Net provision	1,877,142	1,340,586
Net losses and loss adjustment expense payments attributable to:		
Current year	(1,332,999)	(1,127,495)
Prior years	(286,908)	(241,012)
Net payments	(1,619,907)	(1,368,507)
Losses and loss adjustment expense reserves end of year	\$ 618,984	\$ 357,051

PUBLIC ENTITIES POOL OF OHIO

Notes to the Basic Financial Statements

December 31, 2005 and 2004

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 losses 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.

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 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 4.26% of its basis rate in 2005 and 3.90% 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 \$4,900,000 and has not been reflected in the accompanying financial statements.

The Pool retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP in an amount not to exceed \$1,750,000 each loss 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 losses exhausts the Pool's net assets, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to an each loss limit of \$2,000,000. Premiums ceded to reinsurance carriers during the years ended December 31, 2005 and 2004 for casualty risks totaled \$1,413,416 and \$1,351,193, respectively, and the amounts deducted from losses and loss expense reserves as of December 31, 2005 and 2004 for reinsurance was approximately \$2,362,000 and \$3,109,000, respectively.

PUBLIC ENTITIES POOL OF OHIO

Notes to the Basic Financial Statements

December 31, 2005 and 2004

Note 5 – Reinsurance and Excess Risk-sharing Agreements (Continued)

On January 1, 2005, APEEP began administering a risk-sharing property 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 \$1,623,940 and \$1,311,333, respectively, and the amounts deducted from losses and loss expense reserves as of December 31, 2005 and 2004 for reinsurance was approximately \$300,000 and \$5,000, respectively.

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. There were no borrowings in 2005. The Casualty Fund borrowed \$98,894 from the Property Fund in 2004. This amount was repaid during 2005 once the Casualty Fund had surplus funds. There is no interest paid on the reimbursed amounts.

Note 7 – Member Withdrawal

Nine members withdrew from the Pool in 2005, while five members withdrew in 2004. In accordance with the intergovernmental contract, these withdrawals resulted in transfers to operations of \$220,553 in 2005 and \$30,142 in 2004 as well as refunds of \$45,215 in 2005 and \$0 in 2004. Upon withdrawal, these members became responsible for all of their respective unpaid claims, both reported and unreported.

PUBLIC ENTITIES POOL OF OHIO
Casualty Claims Development Information
December 31, 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Required contributions (note A) and investment income:										
Earned	\$ 3,664,221	\$ 3,614,234	\$ 3,843,953	\$ 3,425,617	\$ 4,250,906	\$ 4,844,168	\$ 5,263,310	\$ 7,176,052	\$ 8,541,591	\$ 9,790,653
Ceded	319,087	286,980	381,151	195,721	433,984	602,355	1,005,505	969,731	1,005,564	1,118,407
Net	3,345,134	3,327,254	3,462,802	3,229,896	3,816,922	4,241,813	4,257,805	6,206,321	7,536,027	8,672,246
2. Expenses other than allocated claim adjustment expenses	959,885	900,540	851,594	883,603	1,036,575	1,212,385	1,424,566	1,717,800	1,969,295	2,019,343
3. Estimated claims and allocated claim adjustment expenses, end of policy year:										
Incurred	2,254,302	2,284,193	2,521,244	2,002,706	2,569,862	2,851,939	3,012,358	4,516,485	5,824,853	6,777,375
Ceded	242,366	224,304	317,710	108,543	265,216	380,024	705,575	604,226	825,668	675,873
Net	2,011,936	2,059,889	2,203,534	1,894,163	2,304,646	2,471,915	2,306,783	3,912,259	4,999,185	6,101,502
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	381,482	213,328	121,162	174,054	293,585	221,993	193,812	326,409	331,445	336,004
One year later	668,112	525,213	429,756	389,660	536,736	519,223	768,701	821,296	1,438,545	
Two years later	977,967	748,964	1,033,268	892,849	936,193	967,563	1,473,559	1,843,139		
Three years later	1,129,545	839,119	1,350,498	1,358,926	1,427,917	1,318,010	2,409,468			
Four years later	1,385,589	965,192	1,964,314	1,503,863	1,867,009	1,689,011				
Five years later	1,386,082	1,012,360	2,098,837	1,629,823	1,902,912					
Six years later	1,386,091	1,014,550	2,175,669	1,636,013						
Seven years later	1,388,356	1,014,989	2,197,340							
Eight years later	1,387,716	1,014,541								
Nine years later	1,387,716									
5. Reestimated ceded claims and expenses	259,297	389	1,119,933	3,098	4,921	4,144	1,742,931	956,428	617,746	675,873
6. Reestimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	2,011,936	2,059,889	2,203,534	1,894,163	2,304,646	2,471,915	2,306,783	3,912,259	4,999,185	6,101,502
One year later	1,954,190	1,602,651	2,046,097	1,532,856	2,072,908	2,408,369	4,058,652	3,972,338	6,029,618	
Two years later	1,968,022	1,559,180	2,315,359	2,163,281	1,975,416	2,122,657	4,077,450	3,883,249		
Three years later	1,540,281	1,428,509	2,428,350	1,864,790	1,864,003	2,156,421	3,729,438			
Four years later	1,477,368	1,194,476	2,393,831	1,816,266	2,350,490	1,942,781				
Five years later	1,411,477	1,030,059	2,252,480	1,775,440	2,065,076					
Six years later	1,390,138	1,042,483	2,322,752	1,715,785						
Seven years later	1,400,592	1,017,029	2,313,380							
Eight years later	1,391,189	1,016,727								
Nine years later	1,391,734									
7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ (620,202)	(1,043,162)	109,846	(178,378)	(239,570)	(529,134)	1,422,655	(29,010)	1,030,433	—

Notes:

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.

PUBLIC ENTITIES POOL OF OHIO
Property Claims Development Information
December 31, 2005

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1. Required contributions (note A) and investment income:						
Earned	\$ 933,702	1,520,027	1,974,248	2,957,385	3,268,960	4,088,857
Ceded	55,933	43,869	30,000	48,840	41,685	35,861
Net	877,769	1,476,158	1,944,248	2,908,545	3,227,275	4,052,996
2. Expenses other than allocated claim adjustment expenses	499,691	696,324	994,286	1,523,590	1,753,670	1,939,413
3. Estimated claims and allocated claim adjustment expenses end of policy year:						
Incurred	405,034	790,067	962,124	1,362,775	1,470,644	2,030,024
Ceded	55,933	43,869	30,000	48,840	41,685	35,861
Net	349,101	746,198	932,124	1,313,935	1,428,959	1,994,163
4. Cumulative net paid and allocated claim adjustment expenses as of:						
End of policy year	308,496	655,623	676,670	933,227	1,127,495	1,368,860
One year later	360,880	701,424	1,052,790	1,185,243	1,525,672	
Two years later	440,788	783,172	1,057,117	1,237,688		
Three years later	520,318	783,172	1,045,376			
Four years later	520,318	783,172				
Five years later	518,830					
5. Reestimated ceded claims and expenses	127,649	64,855	279,487	239,250	258,200	35,861
6. Reestimated net incurred claims and allocated claim adjustment expenses						
End of policy year	349,101	746,198	932,124	1,313,935	1,428,959	1,994,163
One year later	491,846	718,281	1,057,055	1,243,278	1,607,797	
Two years later	441,665	783,172	1,057,117	1,249,179		
Three years later	520,318	783,172	1,045,376			
Four years later	520,318	783,172				
Five years later	518,830					
7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ 169,729	36,974	113,252	(64,756)	178,838	—

Notes:

- 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
Public Entities Pool of Ohio

We have audited the financial statements of Public Entities Pool of Ohio 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 Public Entities Pool of Ohio is the responsibility of Public Entities Pool of Ohio'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 Public Entities Pool of Ohio'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
Public Entities Pool of Ohio

Additionally, no management letter was issued in relation to our audit of the financial statements of Public Entities Pool of Ohio 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 the 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**

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PUBLIC ENTITIES POOL OF OHIO

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
SEPTEMBER 26, 2006**