

Ohio Township Association Risk Management Authority

**Financial Report
with Required Supplemental Schedules
December 31, 2006**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 12, 2007

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Ohio Township Association Risk Management Authority

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Assets	7-8
Statement of Revenue, Expenses, and Changes in Net Assets	9-10
Statement of Cash Flows	11-14
Notes to Financial Statements	15-24
Required Supplemental Schedules	25
Casualty Claims Development Information	26
Property Claims Development Information	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-30



Plante & Moran, PLLC

1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Ohio Township Association Risk
Management Authority

We have audited the accompanying financial statements of the Casualty Fund, the Property Fund, and the total business type activities of the Ohio Township Association Risk Management Authority, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Pool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ohio Township Association Risk Management Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Township Association Risk Management Authority at December 31, 2006 and 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 May 17, 2007 on our consideration of Ohio Township Association Risk Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
Ohio Township Association Risk
Management Authority

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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Ohio Township Association Risk Management Authority's basic financial statements. The accompanying Casualty Claims Development Information and Property Claims Development Information, as identified in the table of contents, are 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

May 17, 2007

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis

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 Ohio Township Association Risk Management Authority (the "Pool"). This section, the management's discussion and analysis, is intended to provide an overview of the Pool's financial condition, result of operations, and other key information. In analyzing the Pool's financial position, it is important to recognize the mission of the Pool. From a financial perspective, the Pool's general objective is to manage and fund third-party liability claims, as well as first-party property claims against its members.

Financial Highlights

The Pool's net assets as of December 31, 2006 and 2005 total \$29,921,614 and \$25,912,827, respectively. This represents an increase of \$4,008,787, or 15.5 percent, from 2005 to 2006. The increase in net assets results from an operating income of \$3,451,620 and net capitalization contributions of \$553,138. The Pool maintains a member annual contribution to net assets ratio of 0.33:1 and 0.36:1 at December 31, 2006 and 2005, respectively. Annual 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.

Total member contributions - operating increased 3.7 percent, or \$433,532, to \$12,093,951 in 2006 from \$11,660,419 in 2005. There was a decrease in total revenue in 2006 of \$508,394, or 4.5 percent, to \$10,821,171 in 2006 from \$11,329,565 in 2005. This was due primarily to a decrease in casualty claims to be billed in the future of \$2,111,340 from \$1,323,414 in 2005 to \$(787,926) in 2006. This decrease does not affect the statement of revenue, expenses, and changes in net assets for either 2006 or 2005.

Member contributions - operating are derived from member contributions for risk-sharing protection, and are estimated and recognized using a variety of actuarial and statistical techniques. These contributions reflect the amount to be contributed by members for payment of incurred claims, claim adjustment expenses, and related administrative expenses for each policy year. In addition, members, as further detailed in Note 1, pages 16 and 17, to the basic financial statements, are 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 \$553,138 and \$587,571 for the years ended December 31, 2006 and 2005, respectively.

The claims and claim adjustment expense reserves decreased from \$12,265,954 in 2005 to \$11,283,123 in 2006. The casualty reserves decreased 6.8 percent, or \$787,926, to \$10,839,224 in 2006 from \$11,627,150 in 2005. The property reserves decreased 30.5 percent, or \$194,905, to \$443,899 in 2006 from \$638,804 in 2005.

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

Financial Highlights (Continued)

General and administrative expenses increased 2.5 percent, or \$104,146, to \$4,292,554 in 2006 from \$4,188,408 in 2005, due to the growth in member contributions.

Financial Overview

Approximately 70.0 percent in 2006, 65.3 percent in 2005, and 66.0 percent in 2004 of the assets consist of cash, cash equivalents, and investments. Approximately 93.1 percent in 2006, 89.2 percent in 2005, and 92.0 percent 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 years:

	2006	2005	2004
Assets			
Cash and cash equivalents	\$ 2,018,823	\$ 1,676,065	\$ 3,558,332
Investment securities, at fair value	27,420,669	24,206,374	20,022,681
Member contributions to be billed in the future	10,839,224	11,627,150	10,303,736
Other assets	1,763,559	2,153,845	1,836,214
Total assets	<u>\$ 42,042,275</u>	<u>\$ 39,663,434</u>	<u>\$ 35,720,963</u>
Liabilities			
Claims and claim adjustment expense reserves	\$ 11,283,123	\$ 12,265,954	\$ 10,697,360
Unearned premium reserves	423,542	588,401	648,525
Other liabilities	413,996	896,252	283,670
Total liabilities	12,120,661	13,750,607	11,629,555
Net Assets - Unrestricted	<u>29,921,614</u>	<u>25,912,827</u>	<u>24,091,408</u>
Total liabilities and net assets	<u>\$ 42,042,275</u>	<u>\$ 39,663,434</u>	<u>\$ 35,720,963</u>

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

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

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

Ohio Township Association Risk Management Authority

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

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

	2006	2005	2004
Revenue			
Member contributions - Operating	\$ 12,093,951	\$ 11,660,419	\$ 10,774,693
Reinsurance premiums ceded	(2,192,369)	(2,291,945)	(1,927,741)
Contributions that will be billed in the future to pay unpaid claims	(787,926)	1,323,414	2,426,436
Investment earnings - Interest and dividends	1,087,447	684,153	521,921
Net realized and unrealized gains and losses on investments	620,068	(46,476)	(154,391)
Total revenue	<u>10,821,171</u>	<u>11,329,565</u>	<u>11,640,918</u>
Expenses			
Provision for claims	2,986,997	5,828,190	6,200,292
Operating expenses	4,292,554	4,188,408	3,966,362
Total expenses	<u>7,279,551</u>	<u>10,016,598</u>	<u>10,166,654</u>
Excess of Revenue Over Expenses	3,541,620	1,312,967	1,474,264
Member Distributions - Capitalization	(85,971)	(79,119)	(4,747)
Contributions - Capitalization - Cumulative Reserve Fund	553,138	587,571	580,864
Increase in Net Assets	<u>\$ 4,008,787</u>	<u>\$ 1,821,419</u>	<u>\$ 2,050,381</u>

Ohio Township Association Risk Management Authority

Statement of Net Assets December 31, 2006

Assets	Casualty	Property	Total
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,623,461	\$ 395,362	\$ 2,018,823
Claims servicer imprest fund	(95,973)	87,538	(8,435)
Member contributions receivable	471,431	451,277	922,708
Investment securities	4,889,223	2,984,070	7,873,293
Accrued investment income	270,079	122,251	392,330
Deductibles recoverable	5,500	-	5,500
Reinsurance receivable on paid claims (Note 5)	-	256,358	256,358
Claims escrow fund	195,098	-	195,098
Member contributions to be billed in the future	3,500,000	-	3,500,000
Total current assets	10,858,819	4,296,856	15,155,675
Investment Securities (Note 3)	13,833,269	5,714,107	19,547,376
Member Contributions to be Billed in the Future	7,339,224	-	7,339,224
Total assets	<u>\$ 32,031,312</u>	<u>\$ 10,010,963</u>	<u>\$ 42,042,275</u>
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Claims and claim adjustment expense reserves (Note 4)	\$ 3,500,000	\$ 443,899	\$ 3,943,899
Reinsurance premiums payable (Note 5)	-	68,958	68,958
Accounts payable and accrued expenses	181,186	163,852	345,038
Total current liabilities	3,681,186	676,709	4,357,895
Long-term liabilities:			
Claims and claim adjustment expense reserves (Note 4)	7,339,224	-	7,339,224
Unearned premium reserves	423,542	-	423,542
Total liabilities	11,443,952	676,709	12,120,661
Net Assets - Unrestricted	<u>20,587,360</u>	<u>9,334,254</u>	<u>29,921,614</u>
Total liabilities and net assets	<u>\$ 32,031,312</u>	<u>\$ 10,010,963</u>	<u>\$ 42,042,275</u>

Ohio Township Association Risk Management Authority

Statement of Net Assets (Continued) December 31, 2005

	Casualty	Property	Total
Assets			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,676,065	\$ -	\$ 1,676,065
Claims servicer imprest fund	40,677	-	40,677
Member contributions receivable	432,559	452,738	885,297
Investment securities	9,352,399	986,130	10,338,529
Accrued investment income	111,053	137,336	248,389
Deductibles recoverable	42,799	-	42,799
Reinsurance receivable on paid claims (Note 5)	-	334,797	334,797
Due from property fund (Note 6)	406,788	-	406,788
Claims escrow fund	195,098	-	195,098
Member contributions to be billed in the future	4,000,000	-	4,000,000
	16,257,438	1,911,001	18,168,439
Investment Securities (Note 3)	6,601,050	7,266,795	13,867,845
Member Contributions to be Billed in the Future	7,627,150	-	7,627,150
Total assets	\$ 30,485,638	\$ 9,177,796	\$ 39,663,434
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Claims and claim adjustment expense reserves (Note 4)	\$ 4,000,000	\$ 638,804	\$ 4,638,804
Reinsurance premiums payable (Note 5)	-	127,715	127,715
Accounts payable and accrued expenses	129,025	232,724	361,749
Due to casualty fund (Note 6)	-	406,788	406,788
	4,129,025	1,406,031	5,535,056
Long-term liabilities:			
Claims and claim adjustment expense reserves (Note 4)	7,627,150	-	7,627,150
Unearned premium reserves	588,401	-	588,401
	12,344,576	1,406,031	13,750,607
Net Assets - Unrestricted	18,141,062	7,771,765	25,912,827
Total liabilities and net assets	\$ 30,485,638	\$ 9,177,796	\$ 39,663,434

Ohio Township Association Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

	Casualty	Property	Total
Revenue			
Member contributions - Operating	\$ 6,087,818	\$ 6,006,133	\$ 12,093,951
Reinsurance premiums ceded (Note 5)	(1,218,794)	(973,575)	(2,192,369)
Contributions that will be billed in the future to pay unpaid claims	(787,926)	-	(787,926)
Investment earnings - Interest and dividends	778,060	309,387	1,087,447
Net realized and unrealized gains and losses on investments	607,925	12,143	620,068
Total revenue	5,467,083	5,354,088	10,821,171
Claims and Claim Adjustment Expenses (Note 4)			
Paid	3,408,282	2,069,904	5,478,186
Recoveries	(1,204,509)	(333,921)	(1,538,430)
Decrease in claims and claim adjustment expense reserves	(787,926)	(164,833)	(952,759)
Total claims and claim adjustment expenses	1,415,847	1,571,150	2,986,997
Excess of Revenue Over Claims and Claim Adjustment Expenses	4,051,236	3,782,938	7,834,174
Expenses			
Marketing and administrator fees	1,508,279	2,002,106	3,510,385
Other	563,826	218,343	782,169
Total expenses	2,072,105	2,220,449	4,292,554
Excess of Revenue Over Claims and Claim Adjustment Expenses and Expenses	1,979,131	1,562,489	3,541,620
Member Distributions - Capitalization (Note 7)	(85,971)	-	(85,971)
Contributions - Capitalization - Cumulative Reserve Fund	553,138	-	553,138
Increase in Net Assets	2,446,298	1,562,489	4,008,787
Net Assets - Beginning of year	18,141,062	7,771,765	25,912,827
Net Assets - End of year	\$ 20,587,360	\$ 9,334,254	\$ 29,921,614

Ohio Township Association Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Assets (Continued) Year Ended December 31, 2005

	Casualty	Property	Total
Revenue			
Member contributions - Operating	\$ 5,846,430	\$ 5,813,989	\$ 11,660,419
Reinsurance premiums ceded (Note 5)	(1,255,856)	(1,036,089)	(2,291,945)
Contributions that will be billed in the future to pay unpaid claims	1,323,414	-	1,323,414
Investment earnings - Interest and dividends	480,332	203,821	684,153
Net realized and unrealized gains and losses on investments	74,270	(120,746)	(46,476)
Total revenue	6,468,590	4,860,975	11,329,565
Claims and Claim Adjustment Expenses (Note 4)			
Paid	2,982,988	2,218,485	5,201,473
Recoveries	(456,107)	(352,783)	(808,890)
Increase in claims and claim adjustment expense reserves	1,323,414	112,193	1,435,607
Total claims and claim adjustment expenses	3,850,295	1,977,895	5,828,190
Excess of Revenue Over Claims and Claim Adjustment Expenses	2,618,295	2,883,080	5,501,375
Expenses			
Marketing and administrator fees	1,500,347	1,938,066	3,438,413
Other	531,579	218,416	749,995
Total expenses	2,031,926	2,156,482	4,188,408
Excess of Revenue Over Claims and Claim Adjustment Expenses and Expenses	586,369	726,598	1,312,967
Member Distributions - Capitalization (Note 7)	(79,119)	-	(79,119)
Contributions - Capitalization - Cumulative Reserve Fund	587,571	-	587,571
Increase in Net Assets	1,094,821	726,598	1,821,419
Net Assets - Beginning of year	17,046,241	7,045,167	24,091,408
Net Assets - End of year	\$ 18,141,062	\$ 7,771,765	\$ 25,912,827

Ohio Township Association Risk Management Authority

Statement of Cash Flows Year Ended December 31, 2006

	Casualty	Property	Total
Cash Flows from Operating Activities			
Cash received from members	\$ 6,045,683	\$ 6,007,594	\$ 12,053,277
Cash received from excess insurance carriers	1,204,509	333,921	1,538,430
Cash paid for claims	(3,234,333)	(2,187,514)	(5,421,847)
Cash paid for reinsurance premiums	(1,218,794)	(953,893)	(2,172,687)
Cash paid for administrative and general expenses	(2,019,944)	(2,289,321)	(4,309,265)
Net cash provided by operating activities	777,121	910,787	1,687,908
Cash Flows from Investing Activities			
Investment income received	619,034	324,472	943,506
Purchase of investments	(19,078,191)	(3,171,215)	(22,249,406)
Proceeds from sales and maturities of investments	16,917,073	2,738,106	19,655,179
Net cash used in investing activities	(1,542,084)	(108,637)	(1,650,721)
Cash Flows from Noncapital Financing Activities			
Receipts from members - Cumulative Reserve Fund	391,542	-	391,542
Payments for member withdrawals - Capitalization	(85,971)	-	(85,971)
Payments (to) from other pools	406,788	(406,788)	-
Net cash provided by (used in) noncapital financing activities	712,359	(406,788)	305,571
Net (Decrease) Increase in Cash and Cash Equivalents	(52,604)	395,362	342,758
Cash and Cash Equivalents - Beginning of year	1,676,065	-	1,676,065
Cash and Cash Equivalents - End of year	<u>\$ 1,623,461</u>	<u>\$ 395,362</u>	<u>\$ 2,018,823</u>

Ohio Township Association Risk Management Authority

Statement of Cash Flows (Continued) Year Ended December 31, 2006

A reconciliation of excess of revenue over claims and claim adjustment expenses and expenses to net cash provided by operating activities is as follows:

	Casualty	Property	Total
Excess of revenue over claims and claim adjustment expenses and expenses	\$ 1,979,131	\$ 1,562,489	\$ 3,541,620
Adjustments to reconcile excess of revenue over claims and claim adjustment expenses and expenses to net cash from operating activities:			
Investment earnings	(778,060)	(309,387)	(1,087,447)
Net realized and unrealized gains on investments	(607,925)	(12,143)	(620,068)
(Increase) decrease in assets:			
Claims servicer imprest fund	136,650	(87,538)	49,112
Member contributions receivable	(42,135)	1,461	(40,674)
Deductibles recoverable	37,299	-	37,299
Reinsurance receivable on paid claims	-	78,439	78,439
Member contributions to be billed in the future	787,926	-	787,926
Increase (decrease) in liabilities:			
Claims and claim adjustment expense reserves	(787,926)	(194,905)	(982,831)
Reinsurance premiums payable	-	(58,757)	(58,757)
Accounts payable and accrued expenses	52,161	(68,872)	(16,711)
Net cash provided by operating activities	<u>\$ 777,121</u>	<u>\$ 910,787</u>	<u>\$ 1,687,908</u>

Ohio Township Association Risk Management Authority

Statement of Cash Flows (Continued) Year Ended December 31, 2005

	Casualty	Property	Total
Cash Flows from Operating Activities			
Cash received from members	\$ 5,831,574	\$ 5,764,169	\$ 11,595,743
Cash received from excess insurance carriers	426,808	275,040	701,848
Cash paid for claims	(2,897,929)	(2,218,485)	(5,116,414)
Cash paid for reinsurance premiums	(1,255,856)	(608,689)	(1,864,545)
Cash paid for administrative and general expenses	(2,037,019)	(2,070,714)	(4,107,733)
Net cash provided by operating activities	67,578	1,141,321	1,208,899
Cash Flows from Investing Activities			
Investment income received	498,159	120,745	618,904
Purchase of investments	(11,773,261)	(6,237,731)	(18,010,992)
Proceeds from sales and maturities of investments	12,780,816	1,000,000	13,780,816
Net cash provided by (used in) investing activities	1,505,714	(5,116,986)	(3,611,272)
Cash Flows from Noncapital Financing Activities			
Receipts from members - Cumulative Reserve Fund	527,454	-	527,454
Payments for member withdrawals - Capitalization	(79,119)	-	(79,119)
Payments (to) from other pools	(406,788)	406,788	-
American Public Entity Excess Pool	-	71,771	71,771
Net cash provided by noncapital financing activities	41,547	478,559	520,106
Net Increase (Decrease) in Cash and Cash Equivalents	1,614,839	(3,497,106)	(1,882,267)
Cash and Cash Equivalents - Beginning of year	61,226	3,497,106	3,558,332
Cash and Cash Equivalents - End of year	<u>\$ 1,676,065</u>	<u>\$ -</u>	<u>\$ 1,676,065</u>

Ohio Township Association Risk Management Authority

Statement of Cash Flows (Continued) Year Ended December 31, 2005

A reconciliation of excess of revenue over claims and claim adjustment expenses and expenses to net cash provided by operating activities is as follows:

	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
Excess of revenue over claims and claim adjustment expenses and expenses	\$ 586,369	\$ 726,598	\$ 1,312,967
Adjustments to reconcile excess of revenue over claims and claim adjustment expenses and expenses to net cash from operating activities:			
Investment earnings	(480,332)	(203,821)	(684,153)
Net realized and unrealized (gains) losses on investments	(74,270)	120,746	46,476
(Increase) decrease in assets:			
Claims servicer imprest fund	85,059	-	85,059
Member contributions receivable	(14,856)	(49,820)	(64,676)
Deductibles recoverable	(29,299)	-	(29,299)
Reinsurance recoverable on paid claims	-	(174,701)	(174,701)
Due from American Public Entity Excess Pool	-	266,252	266,252
Member contributions to be billed in the future	(1,323,414)	-	(1,323,414)
Increase (decrease) in liabilities:			
Claims and claim adjustment expense reserves	1,323,414	245,180	1,568,594
Reinsurance premiums payable	-	125,119	125,119
Accounts payable and accrued expenses	(5,093)	85,768	80,675
Net cash provided by operating activities	<u>\$ 67,578</u>	<u>\$ 1,141,321</u>	<u>\$ 1,208,899</u>

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Description of the Organization

Ohio Township Association Risk Management Authority (the "Pool") was created in March 1987 and organized under the laws of the State of Ohio as a governmental group property and casualty self-insurance pool. A total of 958 townships within the state of Ohio participate in the Pool. The Pool was formed for the primary purpose of managing third-party liability claims against its members. Members agree to continue membership for a period of not less than one full year. At the conclusion of such period, or anniversary thereof, a member who has given 60 days' prior written notice to the Pool may withdraw. 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.

American Risk Pooling Consultants, Inc. (ARPCO) functions as the administrator of the Pool. The duties of the administrator are defined in an administrative agreement between ARPCO and the Pool and generally include those powers and duties necessary and incident to managing the operations of the Pool. Pursuant to an agreement between ARPCO and Burnham and Flower Agency of Ohio, Inc. (BFA), BFA provides marketing, underwriting, billing, and collection services. The Ohio Township Association (OTA) supports and promotes the Pool. Public Entity Risk Services of Ohio (PERSO) and Crawford and Company (Crawford) provide claim services. PERSO is an affiliate of ARPCO through common ownership. KLA Consulting (KLA) provides loss control services. ARPCO, BFA, and OTA are compensated by contract for their respective services based on percentages of the members' casualty basis rates and casualty excess and property contributions. PERSO, Crawford, and KLA are compensated on a time and expense basis.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

Note I - Description of the Organization (Continued)

The Pool provides the following self-insurance programs for public entities:

Casualty

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. 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:

	<u>Percent of Basis Rate</u>
Initial contributions	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 percent 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.

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.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Description of the Organization (Continued)

Property

The Pool also provides various property coverages, which are common to public entities. Members' property contributions to the Pool consist of those amounts necessary to fund the Pool's general and administrative expenses, reinsurance expenses due and payable in the current year, claims and claims expenses for property risks, plus all or any portion of any deficiencies which may occur in the Property Cumulative Reserve Fund, and the Pool's obligation to satisfy the requirements of any regulatory authority. For the period 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).

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.

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.

Claims and Claim Adjustment Expense Reserves - Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claims expenses from reported claims and claims incurred but not reported. Changes to estimates are currently reflected in the statement of revenue, expenses, and changes in net assets.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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, and related administrative expenses for each policy year. Member contributions to be billed in the future represent amounts due from members which have not been billed to members and will be billed and collected, from the existing members, in the future when the estimated incurred claims, loss adjustment expenses, and related administrative expenses for each policy year are anticipated to be settled.

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 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.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

Note 3 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses and, as a result, generally requires balances that exceed the FDIC insurance limits of \$100,000. At December 31, 2006, the Pool's deposit balance of \$1,809,987 had bank deposits (checking and savings accounts) of \$1,709,987 that were uninsured and uncollateralized. At December 31, 2005, the Pool's deposit balance of \$1,166,027 had bank deposits (checking and savings accounts) of \$1,066,027 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.

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, 2006, the average maturities of investments are as follows:

Investment Type	Fair Value	Weight Average Maturity (Years)
U.S. Treasury securities	\$ 2,579,790	1.26
U.S. agencies and passthroughs	23,334,627	3.29
Total fair value	<u>\$ 25,914,417</u>	
Portfolio weighted average maturity		<u>3.09</u>

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

Note 3 - Deposits and Investments (Continued)

At December 31, 2005, the average maturities of investments are as follows:

Investment Type	Fair Value	Weight Average Maturity (Years)
U.S. Treasury securities	\$ 3,014,539	0.66
U.S. agencies and passthroughs	<u>18,106,328</u>	2.03
Total fair value	<u>\$ 21,120,867</u>	
Portfolio weighted average maturity		<u>1.84</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 certain equities. At December 31, 2006 and 2005, the Pool only held investments in U.S. government securities.

Concentration of Credit Risk - The Pool has five U.S. agencies and pass-through investments, totaling \$16,451,690, that individually exceed 5 percent of the Pool's total investments at December 31, 2006. There were no investments that individually exceeded 5 percent of the Pool's total investments at December 31, 2005.

Note 4 - Claims and Claim Adjustment Expense Reserves

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

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

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

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

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 coverage such as third-party liability. While management believes that the reserves for claims and claim adjustment expenses make a reasonable provision to cover the ultimate claims, such estimates may be more or less than the amounts ultimately paid when the claims are settled, because of the inherent uncertainty of the evaluation process.

The following summarizes changes in casualty and property liabilities for the years ended December 31, 2006 and 2005:

	Casualty	
	2006	2005
Claims and Claim Adjustment Expense Reserves - Beginning of year	\$ 11,627,150	\$ 10,303,736
Incurred Claims and Claim Adjustment Expenses		
Provision for claims incurred in current year	4,518,977	5,070,171
Decrease in provision for claims incurred in prior years	<u>(3,103,130)</u>	<u>(1,219,876)</u>
Total incurred claims and claim adjustment expenses	1,415,847	3,850,295
Payments		
Claims and claims expenses paid for claims incurred in current year	(345,140)	(313,323)
Claims and claims expenses paid for claims incurred in prior years	<u>(1,858,633)</u>	<u>(2,213,558)</u>
Total payments	<u>(2,203,773)</u>	<u>(2,526,881)</u>
Claims and Claim Adjustment Expense Reserves - End of year	<u>\$ 10,839,224</u>	<u>\$ 11,627,150</u>

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

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

	Property	
	2006	2005
Claims and Claim Adjustment Expense		
Reserves - Beginning of year	\$ 638,804	\$ 393,624
Plus reinsurance recoverable	90,842	210,730
Net claims and claim adjustment expense reserves - Beginning of year	729,646	604,354
Incurred Claims and Claim Adjustment Expenses		
Provision for claims incurred in current year	1,997,715	2,101,728
Decrease in provision for claims incurred in prior years	(426,565)	(123,833)
Total incurred claims and claim adjustment expenses	1,571,150	1,977,895
Payments		
Claims and claims expenses paid for claims incurred in current year	(1,453,271)	(1,533,890)
Claims and claims expenses paid for claims incurred in prior years	(403,626)	(409,555)
Total payments	(1,856,897)	(1,943,445)
Claims and Claim Adjustment Expense Reserves - End of year	\$ 443,899	\$ 638,804

Note 5 - Reinsurance and Excess Risk-sharing Agreements

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

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

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

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

Casualty

The Pool contributes 9 percent per year of its annual basis rate to APEEP as a capitalization contribution until total contributions reach 35 percent of the Pool's annual basis rate, then 5 percent per year of its annual basis rate until total contributions reach 50 percent of the Pool's annual basis rate. Once a member pool reaches the initial requirement for establishing its Cumulative Reserve Fund at 50 percent of its current basis rate, future annual contributions will be limited to 20 percent of the difference between the increase in 50 percent of the member pool's current annual basis rate and its respective balance in its Cumulative Reserve Fund. If 50 percent of the current annual basis rate is less than the balance in the Cumulative Reserve Fund, APEEP will reimburse the difference to the Pool. The Pool contributed 2.70 percent of its basis rate in 2006 and 2.66 percent in 2005. In the event APEEP's Cumulative Reserve Fund is exhausted, the Pool is required to contribute up to 40 percent of its then-existing balance of cumulative capitalization contributions, including investment earnings thereon, to cure such deficit. At December 31, 2006, the maximum such contribution approximates \$5,712,000 and has not been reflected in the accompanying financial statements.

For an occurrence prior to January 1, 2006, 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 for each claim and \$10,000,000 in aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in aggregate per year. For members requiring specific excess coverage from \$2,000,000 to \$12,000,000 for claims that occurred prior to January 1, 2006 or from \$3,000,000 to \$13,000,000 for claims occurring on or after January 1, 2006, such excess coverage is reinsured with General Reinsurance Corporation through contracts with the Pool. In the event a series of retained claims exhausts the Pool's total funds available to pay loss within the Pool's retention, APEEP provides "excess of funds available" coverage up to \$5,000,000, subject to the annual aggregate limit of \$10,000,000. Premiums ceded to reinsurance carriers during the years ended December 31, 2006 and 2005 for casualty risks totaled \$1,218,794 and \$1,255,856, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2006 and 2005 for reinsurance was approximately \$3,617,000 and \$2,858,000, respectively.

Ohio Township Association Risk Management Authority

Notes to Financial Statements December 31, 2006 and 2005

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

Property

On January 1, 2005, APEEP established 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 2006 and 2005 was \$1,901,127 and \$1,712,113, respectively. Premiums ceded to reinsurance carriers during the years ended December 31, 2006 and 2005 for property risks totaled \$973,575 and \$1,036,089, respectively.

Note 6 - Interfund Balances

The Pool uses one cash operating account for both casualty and property funds. Occasionally, one fund has a deficit in its allocation of the operating account. There were no borrowings during 2006 and \$406,788 in borrowings during 2005. There is no interest paid on the reimbursed amount.

Note 7 - Member Withdrawal

Ten members withdrew from the Pool in 2006, while three members withdrew in 2005. In accordance with the intergovernmental contract, these withdrawals resulted in transfers to operations of \$50,788 in 2006 and \$43,100 in 2005, as well as refunds of \$35,183 in 2006 and \$36,019 in 2005. Upon withdrawal, these members became responsible for all of their respective unpaid casualty claims, both reported and unreported.

Required Supplemental Schedules

Ohio Township Association Risk Management Authority

Casualty Claims Development Information

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Required contributions (Note A) and investment income:										
Earned	\$ 3,243,848	\$ 4,122,841	\$ 4,325,387	\$ 4,342,702	\$ 5,308,407	\$ 4,837,529	\$ 7,691,422	\$ 7,201,336	\$ 8,169,181	\$ 8,248,042
Ceded	178,404	421,781	403,619	377,157	608,940	841,052	769,813	664,887	824,487	697,694
Net	3,065,444	3,701,060	3,921,768	3,965,545	4,699,467	3,996,477	6,921,609	6,536,449	7,344,694	7,550,348
2. Expenses other than allocated claim adjustment expenses	1,053,907	991,045	1,172,719	1,264,572	1,413,275	1,596,849	1,820,586	1,952,051	2,031,927	2,072,105
3. Estimated claims and allocated claim adjustment expenses, end of policy year:										
Incurred	1,566,055	2,463,978	2,397,834	2,132,296	2,899,971	2,798,870	3,979,713	5,015,109	5,070,171	4,518,977
Ceded	116,117	307,466	254,956	264,035	395,861	579,747	472,609	524,939	448,888	427,789
Net	1,449,938	2,156,512	2,142,878	1,868,261	2,504,110	2,219,123	3,507,104	4,490,170	4,621,283	4,091,188
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	256,019	133,537	250,956	153,792	181,448	217,570	287,215	306,710	313,323	345,140
One year later	533,757	302,592	619,804	446,224	517,544	623,902	820,835	834,241	884,868	-
Two years later	651,829	740,145	1,035,385	742,265	1,057,835	961,445	1,601,449	1,449,948	-	-
Three years later	1,017,879	1,286,980	1,587,796	1,205,166	1,517,425	1,301,964	2,003,335	-	-	-
Four years later	1,244,707	1,402,029	1,720,022	1,318,812	1,890,718	1,377,895	-	-	-	-
Five years later	1,291,382	1,434,551	1,957,932	1,370,476	2,039,226	-	-	-	-	-
Six years later	1,291,698	1,478,486	1,967,480	1,368,542	-	-	-	-	-	-
Seven years later	1,291,256	1,612,986	1,994,534	-	-	-	-	-	-	-
Eight years later	1,291,256	1,618,230	-	-	-	-	-	-	-	-
Nine years later	1,291,256	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	129,903	297,100	4,220,974	21,443	1,289,002	4,723	817,657	1,327,737	1,245,626	427,789
6. Re-estimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	1,449,938	2,156,512	2,142,878	1,868,261	2,504,110	2,219,123	3,507,104	4,490,170	4,621,283	4,091,188
One year later	1,786,742	1,739,400	2,379,960	1,797,011	2,233,863	2,362,065	4,372,364	4,290,646	4,002,462	-
Two years later	1,397,793	2,254,111	2,457,077	2,103,426	2,471,398	2,350,094	3,718,702	3,759,479	-	-
Three years later	1,495,253	2,184,441	2,242,948	1,854,075	2,069,668	2,176,431	3,027,239	-	-	-
Four years later	1,584,696	1,791,198	2,167,316	1,565,027	2,438,582	1,943,928	-	-	-	-
Five years later	1,364,518	1,786,607	2,080,163	1,552,447	2,086,359	-	-	-	-	-
Six years later	1,326,949	1,726,692	2,062,104	1,377,979	-	-	-	-	-	-
Seven years later	1,293,233	1,650,791	1,996,692	-	-	-	-	-	-	-
Eight years later	1,294,399	1,629,618	-	-	-	-	-	-	-	-
Nine years later	1,293,549	-	-	-	-	-	-	-	-	-
7. Decrease in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	<u>\$ (156,389)</u>	<u>\$ (526,894)</u>	<u>\$ (146,186)</u>	<u>\$ (490,282)</u>	<u>\$ (417,751)</u>	<u>\$ (275,195)</u>	<u>\$ (479,865)</u>	<u>\$ (730,691)</u>	<u>\$ (618,821)</u>	<u>\$ -</u>

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

Ohio Township Association Risk Management Authority

Property Claims Development Information

	2000	2001	2002	2003	2004	2005	2006
1. Required contributions (Note A) and investment income:							
Earned	\$ 2,171,245	\$ 2,916,027	\$ 3,431,507	\$ 4,113,800	\$ 4,136,169	\$ 4,440,304	\$ 4,497,360
Ceded	158,338	75,004	120,000	35,735	85,701	29,494	63,091
Net	2,012,907	2,841,023	3,311,507	4,078,065	4,050,468	4,410,810	4,434,269
2. Expenses other than allocated claim adjustment expenses	1,152,215	1,339,262	1,450,240	1,886,546	2,014,315	2,156,482	2,220,448
3. Estimated claims and allocated claim adjustment expenses, end of policy year:							
Incurred	891,134	1,418,191	1,836,608	2,698,901	2,122,742	2,101,728	1,997,715
Ceded	356,787	242,847	120,000	666,451	291,322	29,494	63,091
Net	534,347	1,175,344	1,716,608	2,032,450	1,831,420	2,072,234	1,934,624
4. Cumulative net paid and allocated claim adjustment expenses as of:							
End of policy year	370,606	855,769	868,026	1,776,904	1,297,358	1,533,890	1,453,271
One year later	491,038	964,234	1,829,637	1,873,491	1,899,296	1,796,601	-
Two years later	488,877	1,341,648	1,610,302	1,848,753	1,917,932	-	-
Three years later	953,705	1,340,788	1,579,414	1,861,940	-	-	-
Four years later	953,705	1,224,639	1,585,159	-	-	-	-
Five years later	953,891	1,224,246	-	-	-	-	-
Six years later	982,828	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	106,802	283,599	432,185	350,820	147,065	29,494	63,091
6. Re-estimated net incurred claims and allocated claim adjustment expenses:							
End of policy year	534,347	1,175,344	1,716,608	2,032,450	1,831,420	2,072,234	1,934,624
One year later	499,583	971,931	1,912,429	1,912,490	1,984,417	1,818,920	-
Two years later	489,271	1,342,372	1,640,961	1,894,381	1,968,388	-	-
Three years later	953,705	1,341,422	1,623,452	1,892,456	-	-	-
Four years later	953,705	1,225,150	1,604,946	-	-	-	-
Five years later	953,891	1,224,246	-	-	-	-	-
Six years later	982,828	-	-	-	-	-	-
7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ 448,481	\$ 48,902	\$ (111,662)	\$ (139,994)	\$ 136,968	\$ (253,314)	\$ -

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

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 the financial statements of Ohio Township Association Risk Management Authority as of and for the year ended December 31, 2006 and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered Ohio Township Association Risk Management Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Ohio Township Association Risk Management Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ohio Township Association Risk Management Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

To the Board of Directors
Ohio Township Association Risk
Management Authority

As part of obtaining reasonable assurance about whether Ohio Township Association Risk Management Authority financial statements are free of material misstatements, we performed test 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.

Additionally, no management letter was issued in relation to our audit of the financial statements of Ohio Township Association Risk Management Authority as of and for the year ended December 31, 2006.

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

Plante & Moran, PLLC

May 17, 2007



Mary Taylor, CPA
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 26, 2007**