Public Entities Pool of Ohio

Financial Report

with Required Supplemental Schedules

December 31, 2008

Mary Taylor, CPA
Auditor of State

Board of Trustees
Public Entities Pool of Ohio
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 Public Entities Pool of Ohio, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2008 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 17, 2009

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Independent Auditor's Report

To the Board of Directors
Public Entities Pool of Ohio

We have audited the accompanying financial statements of the business-type activities of the Public Entities Pool of Ohio (the "Pool") as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Pool's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Pool's board of directors and management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Public Entities Pool of Ohio at December 31, 2008 and 2007 and the respective 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.

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.

To the Board of Directors
Public Entities Pool of Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2009 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Plante & Moran, PLLC

June 1, 2009

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 notes to the financial statements, they provide detailed financial information concerning Public Entities Pool of Ohio (the "Pool" and PEP). The management's discussion and analysis (MD&A) provides a review of the Pool's operating results for the years 2006 through 2008, as well as its financial condition at December 31, 2008, 2007, and 2006. The MD&A should be read in conjunction with our financial statements and notes thereto.

Overview

PEP is a local government risk-sharing pool established in 1987 to offer comprehensive liability and property coverages specifically tailored to meet the needs of Ohio political subdivisions and to provide those coverages on a broader basis than that provided by traditional insurers. PEP differs philosophically from traditional insurance programs in that PEP is owned by its members and serves only its members' interests.

Historically, the property and casualty insurance industry has been unable to provide the consistency of pricing and coverage needed by governmental authorities. The national insurance crisis of the mid-1980s, in which governmental authorities in the state of Ohio were unable to purchase affordable insurance, led to the formation of group self-insurance pools in which members agreed to share the cost of their claims and related expenses. The transition from insurance to pooling has been so successful that there are over 450 governmental entity pools currently operating in the United States of America.

PEP has grown steadily to 445 members. PEP stands out by providing responsive claims handling, coverages specific to Ohio political subdivisions, and customized loss control services, proving that its service-oriented philosophy has been a successful long-term solution for its members. PEP is endorsed by the Association of Ohio Health Commissioners and the Ohio Parks and Recreation Association.

Additionally, the PEP website provides members with information on news and events and contains links to valuable resources including a comprehensive online loss control library with over 10,000 multi-media risk management tools.

PEP continues to build on its success by providing customized coverage at a fair and stable price and being responsive to the needs of its membership.

Administration

American Risk Pooling Consultants, Inc. (ARPCO or management), a division of York Insurance Services Group, Inc. (York), functions as the administrator of the Pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool. ARPCO has a staff of highly experienced attorneys and other professionals who have specialized in providing insurance-related services to governmental authorities for over two decades. York is a national provider of claims-handling, specialized loss adjusting, and other insurance-related services to governmental authorities throughout the United States of America.

Financial Overview and Highlights

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

	2008	2007	2006
Assets			
Cash and cash equivalents	$ 1,890,241	$ 1,742,778	$ 2,453,017
Investment securities - At fair value	18,661,696	17,755,238	16,502,867
Member contributions to be billed in the future	12,940,981	15,033,513	14,416,914
Other assets	2,276,617	3,028,542	2,750,396
Total assets	**$ 35,769,535**	**$ 37,560,071**	**$ 36,123,194**
Liabilities			
Claims and claim adjustment expense reserves	$ 13,719,218	$ 15,886,587	$ 14,952,774
Unearned premium reserves	525,331	844,306	1,173,809
Other liabilities	1,065,657	609,932	612,321
Total liabilities	15,310,206	17,340,825	16,738,904
Net Assets - Unrestricted	20,459,329	20,219,246	19,384,290
Total liabilities and net assets	**$ 35,769,535**	**$ 37,560,071**	**$ 36,123,194**

Approximately 57 percent in 2008, 52 percent in 2007, and 52 percent in 2006 of total assets consist of cash, cash equivalents, and investments. As a result of the Pool's conservative investment objectives and policies, the overall investments return (excluding the net realized and unrealized losses on investments) totaled 4.81 percent during the year ended December 31, 2008. At December 31, 2008, 2007, and 2006, all of the Pool's investments were invested in U.S. government securities or U.S. agency securities.

In accordance with the requirements of Governmental Accounting Standards Board (GASB) No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* member contributions, claims and claim adjustment expenses, and operating expenses are recognized in the statement of revenue, expenses, and changes in net assets on an accrual basis of accounting. As a result of provisions in the *Intergovernmental Contract* signed by each member of the Pool, the funding requirement for each member is equal to the estimated cash outflow of the Pool on an annual basis. As a result of the long claim cycle for casualty related claims, member contributions are collected from active members when the estimated incurred claims and claim loss adjustment expenses are anticipated to be paid. These estimated amounts are stated in the statement of net assets as "member contributions to be billed in the future." Changes to these estimates are stated in the statement of revenue, expenses, and changes in net assets in a similar methodology as claims reserves detailed below. Because amounts are estimated on a methodology consistent to claims reserves detailed below, amounts will fluctuate from year to year as a result of changes in the ultimate expected claims to be settled for a specific insurance period.

The Pool's claims and claim adjustment expense reserves remained consistent over the past three years totaling $13,719,218 in 2008, $15,886,587 in 2007, and $14,952,774 in 2006. The reserves are estimated based on known facts for those claims existing at December 31 and a variety of actuarial and statistical techniques that reflect recent settlements, claim frequency, and other economic and social factors to provide reserve estimates for those claims incurred but not reported at year end. Because these estimates depend on such complex factors as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claims reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which they are made. During the year ended December 31, 2008, the Pool decreased its provision for claims incurred in prior years by $2,447,138 as a result of a decrease in claim frequency from the original actuarial estimate and favorable outcomes on certain cases settled or expected to be settled in the near term. Total claims payments also increased by 10.1 percent from 2007 to 2008, totaling $7,104,698, thus contributing to the decrease in claims and claim adjustment expense reserves by 13.6 percent, or $2,167,369, from 2007 to 2008.

Net assets (members' equity) at December 31, 2008 increased $240,083 from December 31, 2007, primarily as a result of a decrease in the claims and claim adjustment expense reserves partially offset by the board of directors approving a distribution to the members totaling $980,341 for 2008.

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

	2008	2007	2006
Revenue			
Member contributions - Operating	$ 13,347,709	$ 13,003,695	$ 12,571,860
Reinsurance premiums ceded	(3,110,836)	(3,489,982)	(3,209,413)
Contributions that will be billed in the future to pay unpaid claims	(2,092,532)	616,599	64,983
Investment earnings - Interest and dividends	829,710	941,126	801,447
Net realized and unrealized gains and losses on investments	995,342	523,152	(94,485)
Total revenue	9,969,393	11,594,590	10,134,392
Expenses			
Provision for claims	5,104,773	7,313,429	4,721,046
Operating expenses	4,311,548	4,243,281	4,235,056
Total expenses	9,416,321	11,556,710	8,956,102
Excess of Revenue Over Expenses	553,072	37,880	1,178,290
Member Withdrawals and Distributions	(1,182,388)	(193,737)	(71,699)
Contributions - Capitalization - Cumulative Reserve Fund	869,399	990,813	1,177,105
Total Increase in Net Assets	**$ 240,083**	**$ 834,956**	**$ 2,283,696**

The Pool's membership increased from 443 members in 2007 to 445 members in 2008. As a result of consistency of membership and the ability to maintain the stability in rates, member contributions increased approximately 2.6 percent, from $13,003,695 in 2007 to $13,347,709 in 2008.

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2008, the Pool retained $350,000 for casualty claims and $100,000 for property claims). The board of directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Reinsurance expense (ceded) totaled approximately 23.3 percent and 26.8 percent of member contributions for the years ended December 31, 2008 and 2007, respectively. In addition, amounts deducted from claims and claim adjustment expense reserves as of December 31, 2008 and 2007 for expected recoveries under the reinsurance and excess risk-sharing agreements totaled approximately $1,334,000 and $3,522,000, respectively.

In accordance with generally accepted accounting standards, all investments maintained by the Pool must be reported at fair market value ("marked to market concept"). Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net assets as unrealized gains or losses on investments. Net realized and unrealized gains on investments increased $472,190 during 2008 as a result of favorable market events that occurred over the past six months of 2008 for fixed income governmental securities.

Total operating expenses of the Pool were consistent in 2008 and 2007, totaling $4,311,548 and $4,243,281, respectively, or 32.3 percent and 32.6 percent, respectively, of member contributions.

Economic Facts and Next Year's Rates

The rates charged by the Pool for member contributions for the next year are not expected to change significantly. All other operating expenses are expected to remain consistent with amounts reported in 2008. The provision for claims payments is expected to be consistent with historical trends and the Pool is unaware of any further economic events or legislative events that would have a significant impact on the operations of the Pool.

Contacting the Pool's Management

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

Statement of Net Assets

	December 31 2008	December 31 2007
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 1,890,241	$ 1,742,778
Claims service imprest fund	25,000	46,818
Member contributions receivable	1,692,145	1,655,056
Investment securities (Note 2)	4,693,766	1,232,977
Accrued investment income	223,002	248,679
Deductible receivable	40,048	24,789
Reinsurance receivable on paid claims (Note 4)	145,282	902,060
Claims escrow fund	151,140	151,140
Member contributions to be billed in the future	4,700,000	4,850,000
Total current assets	13,560,624	10,854,297
Investment Securities (Note 2)	13,967,930	16,522,261
Member Contributions to be Billed in the Future	8,240,981	10,183,513
Total assets	**$ 35,769,535**	**$ 37,560,071**
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Claims and claim adjustment expense reserves (Note 3)	$ 5,478,237	$ 5,703,074
Reinsurance premiums payable (Note 4)	441,693	115,725
Accounts payable and accrued expenses	623,964	494,207
Total current liabilities	6,543,894	6,313,006
Long-term liabilities:		
Claims and claim adjustment expense reserves (Note 3)	8,240,981	10,183,513
Unearned premium reserves	525,331	844,306
Total liabilities	15,310,206	17,340,825
Net Assets - Unrestricted	20,459,329	20,219,246
Total liabilities and net assets	**$ 35,769,535**	**$ 37,560,071**

See Notes to Financial Statements.

Public Entities Pool of Ohio

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2008	2007
Revenue		
Member contributions - Operating	$ 13,347,709	$ 13,003,695
Reinsurance premiums ceded (Note 4)	(3,110,836)	(3,489,982)
Contributions that will be billed in the future to pay unpaid claims	(2,092,532)	616,599
Investment earnings - Interest and dividends	829,710	941,126
Net realized and unrealized gains on investments	995,342	523,152
Total revenue	9,969,393	11,594,590
Claims and Claim Adjustment Expenses (Note 3)		
Paid	9,742,821	7,781,414
Recoveries	(2,638,123)	(1,325,792)
(Decrease) increase in claims and claim adjustment expense reserves	(1,999,925)	857,807
Total claims and claim adjustment expenses	5,104,773	7,313,429
Excess of Revenue Over Claims and Claim Adjustment Expenses	4,864,620	4,281,161
Expenses		
Marketing and administrator fees	3,778,277	3,725,474
Other	533,271	517,807
Total expenses	4,311,548	4,243,281
Excess of Revenue Over Claims and Claim Adjustment Expenses and Expenses	553,072	37,880
Member Withdrawals and Distributions		
Capitalization (Note 5)	(202,047)	(193,737)
Budgetary (Note 6)	(980,341)	-
Total member distributions	(1,182,388)	(193,737)
Contributions - Capitalization - Cumulative Reserve Fund	869,399	990,813
Increase in Net Assets	240,083	834,956
Net Assets - Beginning of year	20,219,246	19,384,290
Net Assets - End of year	**$ 20,459,329**	**$ 20,219,246**

See Notes to Financial Statements.

Statement of Cash Flows

	Year Ended December 31	
	2008	2007
Cash Flows from Operating Activities		
Cash received from members	$ 13,307,580	$ 13,011,760
Cash received from excess insurance carriers	2,638,123	1,325,792
Cash paid for claims	(9,903,706)	(7,838,244)
Cash paid for reinsurance premiums	(2,028,090)	(3,656,278)
Cash paid for administrative and general expenses	(4,181,791)	(4,244,149)
Net cash used in operating activities	(167,884)	(1,401,119)
Cash Flows from Investing Activities		
Investment income received	855,387	949,547
Purchase of investments	(2,416,717)	(3,952,536)
Proceeds from sales and maturities of investments	2,505,603	3,223,317
Net cash provided by investing activities	944,273	220,328
Cash Flows from Noncapital Financing Activities		
Receipts from members - Cumulative Reserve Fund	553,462	664,289
Payments for member withdrawals - Capitalization	(202,047)	(193,737)
Payments for member distributions - Budgetary	(980,341)	-
Net cash (used in) provided by noncapital financing activities	(628,926)	470,552
Net Increase (Decrease) in Cash and Cash Equivalents	147,463	(710,239)
Cash and Cash Equivalents - Beginning of year	1,742,778	2,453,017
Cash and Cash Equivalents - End of year	**$ 1,890,241**	**$ 1,742,778**

See Notes to Financial Statements.

Statement of Cash Flows (Continued)

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

	Year Ended December 31	
	2008	2007
Excess of revenue over claims and claim adjustment expenses and expenses	$ 553,072	$ 37,880
Adjustments to reconcile excess of revenue over claims and claim adjustment expenses and expenses to net cash from operating activities:		
Investment earnings	(829,710)	(941,126)
Net realized and unrealized losses on investments	(995,342)	(523,152)
(Increase) decrease in assets:		
Claims servicer imprest fund	21,818	(108,047)
Member contributions receivable	(40,129)	8,065
Deductible receivable	(15,259)	(24,789)
Reinsurance receivable on paid claims	756,778	(164,775)
Member contributions to be billed in the future	2,092,532	(616,599)
Increase (decrease) in liabilities:		
Claims and claim adjustment expense reserves	(2,167,369)	933,813
Reinsurance premiums payable	325,968	(1,521)
Accounts payable and accrued expenses	129,757	(868)
Net cash used in operating activities	**$ (167,884)**	**$ (1,401,119)**

Note 1 - Nature of Business and Significant Accounting Policies

Public Entities Pool of Ohio (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. The Association of Ohio Health Commissioners and the Ohio Parks and Recreation Association support and promote the Pool. A total of 445 political subdivisions within the state of Ohio participate in the Pool. The Pool's primary objective is to formulate, develop, and administer, on behalf of the members, a program of managing property losses and third-party casualty claims, to obtain stable costs for that coverage and to develop a comprehensive loss control program.

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

The Pool has engaged American Risk Pooling Consultants, Inc. (ARPCO or management), a division of York Insurance Services Group, Inc. (York) as 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, including claims servicing. Compensation is determined by an agreement between ARPCO and the Pool's board of directors. The contract is continuous until cancelled.

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, the 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.

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

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.

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 No. 4). Under Interpretation No. 4, capitalization contributions to pools to which risk is transferred must be accounted for as revenue by initially recording such contributions as unearned premiums, then amortizing them into revenue over an appropriate period not to exceed 10 years. Unearned premium reserves resulting from the application of Interpretation No. 4 are being amortized pro rata over a six-year period, the period over which a member makes 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 paid.

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 dates 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.

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

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

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

Note 2 - Deposits and Investments

The Pool designated Fifth Third Bank and Star Ohio for the deposit of its 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's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. 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 $250,000. In October 2008, the FDIC implemented the Transaction Account Guarantee Program, fully guaranteeing noninterest and some interest-bearing checking account balances through December 31, 2009 regardless of the amount in the account. At December 31, 2008, the Pool's deposit balance of $1,143,542, which consisted of bank deposits (checking and savings accounts), was fully insured and collateralized. At December 31, 2007, the Pool's deposit balance of $837,607 had bank deposits (checking and savings accounts) of $737,607 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. The board of directors addressed custodial credit risk with Fifth Third Bank during 2008 to ensure the risk of loss of the Pool's deposits continues to be minimized.

Note 2 - Deposits and Investments (Continued)

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.

At December 31, 2008, the average maturities of investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	$ 9,676,650	6.42
U.S. agencies and pass-throughs	8,985,046	2.03
Total fair value	$ 18,661,696	
Portfolio weighted average maturity		4.31

At December 31, 2007, the average maturities of investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	$ 7,139,352	6.16
U.S. agencies and pass-throughs	10,615,886	2.70
Total fair value	$ 17,755,238	
Portfolio weighted average maturity		4.09

Note 2 - Deposits and Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of 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 funds. At December 31, 2008 and 2007, the Pool only held investments in U.S. government securities. The Pool holds money market funds, which are rated Aaa by Moody's, in the amount of $1,060,948 and $128,516 for the years ended December 31, 2008 and 2007, respectively.

Concentration of Credit Risk - The Pool has one U.S. agency and pass-through security, totaling $961,319, that individually exceeds 5 percent of the Pool's total investments at December 31, 2008. The Pool had seven U.S. agency and pass-through securities, totaling $2,201,088, that individually exceeded 5 percent of the Pool's total investments at December 31, 2007.

Note 3 - Claims and Claim Adjustment Expense Reserves

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

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

The following summarizes changes in claims and claim adjustment expense reserves for the years ended December 31, 2008, 2007, and 2006:

	2008	2007	2006
Claims and Claim Adjustment Expense Reserves - Beginning of year	$ 15,886,587	$ 14,952,774	$ 14,970,915
Change in reinsurance recoverable	(167,444)	76,006	193,859
Net claims and claim adjustment expense reserves - Beginning of year	15,719,143	15,028,780	15,164,774
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	7,551,911	8,631,741	7,496,686
Decrease in provision for claims incurred in prior years	(2,447,138)	(1,318,312)	(2,775,640)
Total incurred claims and claim adjustment expenses	5,104,773	7,313,429	4,721,046
Payments			
Claims and claims expenses paid for claims incurred in current year	(3,218,436)	(2,185,750)	(1,307,889)
Claims and claims expenses paid for claims incurred in prior years	(3,886,262)	(4,269,872)	(3,625,157)
Total payments	(7,104,698)	(6,455,622)	(4,933,046)
Claims and Claim Adjustment Expense Reserves - End of year	$ 13,719,218	$ 15,886,587	$ 14,952,774

Reserves for claims and claim adjustment expense attributable to insured events in prior years changed as a result of re-estimation of unpaid claims and claim adjustment expenses. This change is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 4 - Reinsurance and Excess Risk-sharing Agreements

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large aggregate and specific losses. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements. Premiums ceded to reinsurance carriers and the risk-sharing pool during the years ended December 31, 2008 and 2007 totaled $3,110,836 and $3,489,982, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2008 and 2007 for reinsurance and excess risk-sharing agreements totaled approximately $1,334,000 and $3,522,000, respectively.

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. APEEP provides excess risk-sharing programs for its member pools, all of which are public entity group risk-sharing pools similar in nature to the Pool.

Note 5 - Member Withdrawals

Nine members withdrew from the Pool in 2008, while 16 members withdrew in 2007. In accordance with the intergovernmental contract, these withdrawals resulted in transfers to operations of $122,870 in 2008 and $178,788 in 2007, as well as refunds of $79,177 in 2008 and $14,949 in 2007. Upon withdrawal, these members became responsible for payment of all casualty claims and claim expense, both reported and unreported.

Note 6 - Member Distributions - Budgetary

Cash distributions returned to the members totaling $980,341 were approved by the board of directors for the year ended December 31, 2008.

Required Supplemental Schedules

Public Entities Pool of Ohio

Casualty Claims Development Information

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Required contributions (Note A) and investment income:										
Earned	$ 3,425,617	$ 4,250,906	$ 4,844,168	$ 5,263,310	$ 7,176,052	$ 8,541,591	$ 9,790,653	$ 9,242,128	$ 10,484,558	$ 8,071,753
Ceded	195,721	433,984	602,355	1,005,505	969,731	1,005,564	1,118,407	971,045	1,129,436	780,706
Net	3,229,896	3,816,922	4,241,813	4,257,805	6,206,321	7,536,027	8,672,246	8,271,083	9,355,122	7,291,047
2. Expenses other than allocated claim adjustment expenses	883,603	1,036,575	1,212,385	1,424,566	1,717,800	1,969,295	2,019,343	2,190,216	2,142,248	2,200,369
3. Estimated claims and allocated claim adjustment expenses, end of policy year:										
Incurred	2,002,706	2,569,862	2,851,939	3,012,358	4,516,485	5,824,853	6,777,375	6,208,460	8,567,574	4,932,004
Ceded	108,543	265,216	380,024	705,575	604,226	825,668	675,873	652,684	2,108,295	493,314
Net	1,894,163	2,304,646	2,471,915	2,306,783	3,912,259	4,999,185	6,101,502	5,555,776	6,459,279	4,438,690
4. Cumulative net paid and allocated claim adjustment expenses as of:										
End of policy year	174,054	293,585	221,993	193,812	326,409	331,445	336,004	281,162	556,920	772,709
One year later	389,660	536,736	519,223	768,701	821,296	1,438,545	963,477	914,494	1,747,270	-
Two years later	892,849	936,193	967,563	1,473,559	1,843,139	2,918,464	2,313,606	1,977,041	-	-
Three years later	1,358,926	1,427,917	1,318,010	2,409,468	2,233,241	3,862,172	3,300,454	-	-	-
Four years later	1,503,863	1,867,009	1,689,011	2,710,312	2,968,765	4,110,216	-	-	-	-
Five years later	1,629,823	1,902,912	1,734,738	2,792,972	3,082,738	-	-	-	-	-
Six years later	1,636,013	1,932,182	1,747,405	3,024,399	-	-	-	-	-	-
Seven years later	1,693,977	2,121,248	1,755,593	-	-	-	-	-	-	-
Eight years later	1,660,740	2,124,384	-	-	-	-	-	-	-	-
Nine years later	1,813,812	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	606	336,280	3,394	1,629,972	1,020,359	573,616	255,119	70,130	1,323,386	493,314
6. Re-estimated net incurred claims and allocated claim adjustment expenses:										
End of policy year	1,894,163	2,304,646	2,471,915	2,306,783	3,912,259	4,999,185	6,101,502	6,195,401	6,459,279	4,438,690
One year later	1,532,856	2,072,908	2,408,369	4,058,652	3,972,338	6,029,618	4,514,686	5,290,411	5,331,506	-
Two years later	2,163,281	1,975,416	2,122,657	4,077,450	3,883,249	5,400,328	4,587,149	4,650,786	-	-
Three years later	1,864,790	2,648,003	2,156,421	3,729,438	3,527,152	4,735,937	4,757,915	-	-	-
Four years later	1,816,266	2,350,490	1,942,781	3,409,456	3,456,843	4,534,484	-	-	-	-
Five years later	1,775,440	2,065,076	1,781,453	3,465,831	3,411,803	-	-	-	-	-
Six years later	1,715,785	2,178,480	1,771,492	3,472,210	-	-	-	-	-	-
Seven years later	1,800,363	2,270,892	1,807,672	-	-	-	-	-	-	-
Eight years later	1,909,739	2,363,684	-	-	-	-	-	-	-	-
Nine years later	1,817,248	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	**$ (76,915)**	**$ 59,038**	**$ (664,243)**	**$ 1,165,427**	**$ (500,456)**	**$ (464,701)**	**$ (1,343,587)**	**$ (904,990)**	**$ (1,127,773)**	**$ -**

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.

Public Entities Pool of Ohio

Property Claims Development Information

	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	$ 3,544,741	$ 4,473,610	$ 5,879,899
Ceded	55,933	43,869	30,000	48,840	41,685	35,861	135,684	63,212	507,690
Net	877,769	1,476,158	1,944,248	2,908,545	3,227,275	4,052,996	3,409,057	4,410,398	5,372,209
2. Expenses other than allocated claim adjustment expenses	499,691	696,324	994,286	1,523,590	1,753,670	1,939,413	2,044,839	2,101,034	2,111,180
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	1,994,163	1,436,969	2,235,674	3,620,911
Ceded	55,933	43,869	30,000	48,840	41,685	35,861	135,684	63,212	507,690
Net	349,101	746,198	932,124	1,313,935	1,428,959	1,958,302	1,301,285	2,172,462	3,113,221
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	1,026,727	1,628,830	2,445,727
One year later	360,880	701,424	1,052,790	1,185,243	1,525,672	2,255,335	1,552,770	1,661,121	-
Two years later	440,788	783,172	1,057,117	1,237,688	1,484,222	2,118,856	1,365,022	-	-
Three years later	520,318	783,172	1,045,376	1,239,072	1,483,134	1,600,795	-	-	-
Four years later	520,318	783,172	1,045,461	1,239,270	1,483,134	-	-	-	-
Five years later	518,830	783,172	1,045,461	1,239,270	-	-	-	-	-
Six years later	518,830	783,172	1,045,461	-	-	-	-	-	-
Seven years later	518,830	783,172	-	-	-	-	-	-	-
Eight years later	518,830	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	127,649	64,855	279,487	239,250	258,200	35,861	135,684	63,212	507,690
6. Re-estimated net incurred claims and allocated claim adjustment expenses:									
End of policy year	349,101	746,198	932,124	1,313,935	1,428,959	1,958,302	1,301,285	2,172,462	3,113,221
One year later	491,846	718,281	1,057,055	1,243,278	1,607,797	2,326,263	1,574,819	1,783,450	-
Two years later	441,665	783,172	1,057,117	1,249,179	1,515,729	2,137,103	1,365,786	-	-
Three years later	520,318	783,172	1,045,376	1,239,072	1,502,292	1,611,468	-	-	-
Four years later	520,318	783,172	1,045,461	1,239,270	1,483,134	-	-	-	-
Five years later	518,830	783,172	1,045,461	1,239,270	-	-	-	-	-
Six years later	518,830	783,172	1,045,461	-	-	-	-	-	-
Seven years later	518,830	783,172	-	-	-	-	-	-	-
Eight 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**	**$ 113,337**	**$ (74,665)**	**$ 54,175**	**$ (346,834)**	**$ 64,501**	**$ (389,012)**	**$ -**

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 Required by *Government Auditing Standards*

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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, 2008 and have issued our report thereon dated June 1, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Public Entities Pool of Ohio'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 Public Entities Pool of Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Public Entities Pool of Ohio's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the control deficiency described below to be a significant deficiency in internal control over financial reporting.

To the Board of Directors
Public Entities Pool of Ohio

Claims and Claim Adjustment Expense Reserves - Property - During 2008, American Risk Pooling Consultants, Inc. (ARPCO or management) implemented a new reserving system (Reserve Pro) to be utilized in the calculation of incurred but not reported (IBNR) claim reserves. During our substantive testing of the property reserve schedules provided to us by management, we discovered several discrepancies related to the reports generated from Reserve Pro and the manual schedules (the ultimate reserve schedule and the reinsurance recoveries schedule) maintained by management. Due to the nature of the attachment points surrounding the property reinsurance coverage, it can be difficult to accurately reflect the reinsurance limits within Reserve Pro and the ultimate reserve and reinsurance recoveries schedules. When these differences were found by us and presented to management, management updated the schedules accordingly and determined only minor adjustments were necessary to appropriately estimate the IBNR claim reserves.

Due to the implementation of Reserve Pro and the reliance on the manual schedules by management, procedures and policies should be reviewed and documented to ensure appropriate claim and reinsurance information is entered into the Reserve Pro system. We recommend the following to assist management in fully implementing the Reserve Pro system:

- Additional training should be considered to ensure all staff involved in maintaining the Reserve Pro system understand the detailed requirements of the input of claims and reinsurance data. This would allow for a consistent reporting methodology to ensure claim reserve estimates are being obtained and reported accurately in the Pool's financial statements and eliminate the necessity of maintaining a manual process in this area.

- Accounting procedures and policies should be developed which would allow a consistent methodology and understanding on the appropriate use of the Reserve Pro system. This would allow for consistency in operation as well as a training tool for new staff members or temporary staff members involved in the claim data entry process.

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

To the Board of Directors
Public Entities Pool of Ohio

Compliance and Other Matters

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

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

June 1, 2009

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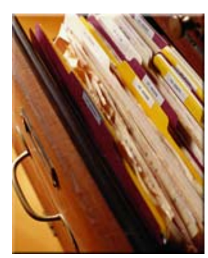
Public Entities Pool of Ohio

Independent Auditor's Report to the Board of Directors

December 31, 2008



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Observations, Comments, and Recommendations

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June 1, 2009

To the Board of Directors
Public Entities Pool of Ohio

Dear Board Members:

In planning and performing our audit of the financial statements of Public Entities Pool of Ohio (the "Pool") as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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. We consider the following deficiency to be a significant deficiency in internal control:

Claims and Claim Adjustment Expense Reserves - Property - During 2008, American Risk Pooling Consultants, Inc. (ARPCO or "management") implemented a new reserving system (Reserve Pro) to be utilized in the calculation of incurred but not reported (IBNR) claim reserves. During our substantive testing of the property reserve schedules provided to us by management, we discovered several discrepancies related to the reports generated from Reserve Pro and the manual schedules (the ultimate reserve schedule and the reinsurance recoveries schedule), maintained by management. Due to the nature of the attachment points surrounding the property reinsurance coverage, it can be difficult to accurately reflect the reinsurance limits within Reserve Pro and the ultimate reserve and reinsurance recoveries schedules. When these differences were found by us and presented to management, management updated the schedules accordingly, and determined only minor adjustments were necessary to appropriately estimate the IBNR claim reserves.

To the Board of Directors
Public Entities Pool of Ohio June 1, 2009

Due to the implementation of Reserve Pro and the reliance on the manual schedules by management, procedures and policies should be reviewed and documented to ensure appropriate claim and reinsurance information is entered into the Reserve Pro system. We recommend the following to assist management in fully implementing the Reserve Pro system:

- Additional training should be considered to ensure all staff involved in maintaining the Reserve Pro system understand the detailed requirements of the input of claims and reinsurance data. This would allow for a consistent reporting methodology to ensure claim reserve estimates are being obtained and reported accurately in the Pool's financial statements and eliminate the necessity of maintaining a manual process in this area.

- Accounting procedures and policies should be developed which would allow a consistent methodology and understanding on the appropriate use of the Reserve Pro system. This would allow for consistency in operation as well as a training tool for new staff members or temporary staff members involved in the claim data entry process.

This communication is intended solely for the use of the board of directors, management of the Pool, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
Plante & Moran, PLLC

Kevin E. Krause, CPA
Partner

Required Communications

We have audited the financial statements of Public Entities Pool of Ohio for the year ended December 31, 2008 and have issued our report thereon dated June 1, 2009. Statement on Auditing Standards No. 114 and other professional standards require that we provide you with the following information related to our audit.

Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)

As stated in our engagement letter dated November 17, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Pool. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Pool's financial statements has also been conducted in accordance with G*overnment Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Pool's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions within the financial statements dated June 1, 2009 regarding our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the Pool, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

We have communicated to you, in a previous section of this report, significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

Required Communications (Continued)

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 23, 2008.

Qualitative Aspects of Accounting Practices

Accounting Policies

The board of directors and management are responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

All significant accounting policies are described in Note 1 to the financial statements. There were no changes to accounting policies for the year ended December 31, 2008.

We noted no transactions entered into by the Pool during the year for which there is lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

Required Communications (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Accounting Estimates (Continued)

The most sensitive estimate affecting the financial statements is as follows:

- **Claims and Claim Adjustment Expense Reserves** - Management's estimate is based on an accumulation of individual case basis estimates for reported claims and claim adjustment expenses and actuarial estimates for incurred but not reported claims and claim adjustment expenses, based upon industry and the Pool's actual experience and assumptions. We performed a hindsight review to assess the adequacy of prior year reserves, tested information submitted to the actuary, and reviewed key factors and assumptions used to develop the claims reserves in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were those related to unpaid claims reserves detailed above.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management related to the performance of the audit.

Significant Audit Adjustments

Auditing standards call for us to report to you all significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed.

In conjunction with the significant deficiency noted on page 1, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Required Communications (Continued)

Uncorrected Possible Financial Statement Adjustments Considered by Management to be Immaterial

Auditing standards call for us to report all significant uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

There were no unrecorded audit adjustments related to the audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 1, 2009.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Pool's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

We are not aware of any consultations with other accountants.

Required Communications (Continued)

Fraud and Illegal Acts

We report to the board of directors fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

We are not aware of any matters that require communication.

Areas of Audit Emphasis

Key areas of audit emphasis and our judgments about the quality, not just the acceptability, of Public Entities Pool of Ohio's accounting principles as applied in its financial reporting are summarized in the table below:

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Investments	Investments are recorded at fair market value at the balance sheet reporting date.	For typical investments, fair market value is readily available from published resources, such as the Wall Street Journal; thus very little judgment or estimation is required to appropriately reflect fair market value.	Management followed a consistent methodology and stated accounting policy for the reporting of investment values. We believe the underlying methodology used by management is in accordance with generally accepted accounting principles.
Claims Reserves	The Pool establishes an estimate based on an accumulation of individual case basis estimates for reported claims and claim adjustment expenses and uses an actuary to assist in estimating for incurred but not reported claims and claim adjustment expenses.	Estimates for known claims recorded by the Pool are dependent on the underlying methods, assumptions, and analysis used by internal claims processors and attorneys. Estimates for incurred but not reported claims recorded by the Pool are dependent on the experience/knowledge of the independent actuary and the underlying assumptions and accuracy of the underlying data used by the actuary to complete the computations.	We performed a hindsight review to assess the adequacy of prior year reserves, test information submitted to the actuary, and reviewed key factors and assumptions used to develop the estimated claims reserves. We believe the underlying assumptions used by the actuary are reasonable.

Areas of Audit Emphasis (Continued)

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Accounts Receivable	The Pool maintains accounting policies and procedures specifically related to these accounts adjusting amounts as needed to reflect estimated amounts due from members.	Balance sheet valuation allowances are established as necessary to appropriately reflect the net realizable value of accounts receivable. Estimates are based on historical payment experience and specific review of account balances to determine potential recoverable issues. Management has determined that no allowances were required at the balance sheet date.	Management followed a consistent methodology with the prior year related to the establishment of valuation allowances. Our conclusions regarding the reasonableness of these estimates are based on reviewing historical trends, testing the collectibility of large accounts, and testing management's computations. We believe the underlying assumptions and computations used by management to determine valuation allowances to be reasonable.
Transactions with Reinsurers	The Pool maintains accounting policies and procedures specifically related to reinsurance contracts. Policies and procedures include appropriate due diligence on the financial strength of reinsurers being considered and specific review of amounts due under reinsurance contracts to determine potential recoverable issues.	Balance sheet valuation allowances are established as necessary to appropriately reflect the net realizable value of reinsurance receivables. Estimates are based on historical payment experience, understanding the components of reinsurance contracts, and specific review of account balances to determine potential recoverable issues. Management has determined that no allowances were required at the balance sheet date.	Management followed a consistent methodology with the prior year related to the establishment of valuation allowances. Our conclusions regarding the reasonableness of these estimates are based on reviewing historical trends, reviewing reinsurance contracts, testing the collectibility of large accounts, and testing management's computations. We believe the underlying assumptions and computations used by management to be reasonable.

Areas of Audit Emphasis (Continued)

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Contributions and Unpaid Claims to be Billed in the Future	In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, premiums or required contributions are to be recognized as revenue over the contract period in proportion to the amount of risk provided. Annually determined contributions (recognized premium) are determined by management based on the provisions of the intergovernmental agreement between the Pool and a member and are an estimate of the current year's expected cash outflow for operating expenses, reinsurance expenses, and claim payments.	In accordance with the intergovernmental contract between the Pool and a member, the annual contribution is determined on the expected cash outflow for the current year, including operating expenses, reinsurance expenses, and expected claim payments. Based on contract provisions, the annual contribution is not determined on the ultimate cash flow on the settlement of claims outstanding (both known and incurred but not reported), which may occur over a period of years, and cannot be collected from members; nor does the Pool have the right to collect the ultimate expected payment on outstanding claims until the actual cash settlement has occurred. The methodology is determined by the provision in the contract that requires payments for all claims and claim expenses to thereafter become the sole responsibility of the withdrawing member without regard to whether a claim occurred or was reported prior to the withdrawal of the member's participation in the Pool; the Pool shall incur no liability for payment of claims at the date of withdrawal.	Management followed a consistent methodology with the prior year related to accounting for member contributions and the recording of unpaid claims to be billed in the future and is not aware of any changes in the intergovernmental contract that would change the conclusion reached in previous years. Our conclusions regarding the reasonableness of this accounting treatment are based on reviewing the intergovernmental contract and verification with management that no changes have occurred that would change this method of accounting treatment. In addition, we are unaware of any changes made by GASB to Statement No. 10 that would have an impact on the current accounting treatment. We believe the underlying accounting treatment to be in compliance with GASB No. 10.

Areas of Audit Emphasis (Continued)

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Recognition of Member Capitalization Contributions	In accordance with GASB Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools,* capitalization contributions must be accounted for as a liability if it is probable that the entire contribution will be returned sometime in the future, or as deferred premium revenue to be recognized over a period not to exceed 10 years if it is not probable that the contribution will be returned to the member.	Management has made the determination based on past experience and provisions of the intergovernmental contract between the Pool and its members that it is not probable that the entire contribution will be returned in the future; thus, amounts are being recorded and reported as deferred premium revenue and recognized as income over the period a member is required to make capitalization contributions.	Management followed a consistent methodology with the prior year related to accounting for member capitalization contributions. Our conclusions regarding the reasonableness of this accounting treatment are based on reviewing the intergovernmental contract, reviewing past experience of distributions made to members leaving the Pool, testing the client's schedule of deferred premium revenue to supporting documentation, and testing the computation of the annual recognition of deferred premium revenue in accordance with the period the members are required to make the capitalization contributions. We believe the underlying accounting treatment to be in compliance with GASB Interpretation No. 4.

In addition, other areas of audit emphasis included:

- Information technology
- Operating cash
- Equity transactions
- Administrative operating expenses

Accounting and Auditing Update

- **SAS No. 115** - ***Communicating Internal Control Matters Identified in an Audit*** - This new audit standard will be effective for years ending December 31, 2009. This standard more closely aligns the evaluation of internal control deficiencies for nonpublic entities with the guidance provided for public companies.

- **SFAS No. 163** - ***Accounting for Financial Guarantee Insurance Contracts*** - SFAS No. 163 changes the accounting for financial guarantee insurance contracts issued by insurance enterprises to decrease the diversity in practice under SFAS No. 60. This standard will also require certain disclosures about an insurance enterprise's risk management activities and claim liabilities. This standard is effective for years beginning after December 15, 2008.

Mary Taylor, CPA
Auditor of State

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
JUNE 30, 2009

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