

**OHIO TOWNSHIP ASSOCIATION  
RISK MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS WITH REQUIRED  
SUPPLEMENTARY INFORMATION**

December 31, 2024 and 2023





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Board of Directors  
Ohio Township Association Risk Management Authority  
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We have reviewed the *Independent Auditor's Report* of the Ohio Township Association Risk Management Authority, Lucas County, prepared by Crowe LLP, for the audit period January 1, 2024 through December 31, 2024. 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.

KEITH FABER  
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

July 17, 2025

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS WITH REQUIRED  
SUPPLEMENTARY INFORMATION  
December 31, 2024 and 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Ohio Township Association Risk Management Authority

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Ohio Township Association Risk Management Authority (the "Pool"), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of December 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2025 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

*Crowe LLP*

Crowe LLP

Fort Lauderdale, Florida  
June 30, 2025

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2024, 2023 and 2022**

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## **Using this Annual Report**

This annual report consists of the statements of net position, the statements of revenue, expenses, and changes in net position, and the statements of cash flows. Along with the notes to the basic financial statements, it provides detailed financial information concerning the Ohio Township Association Risk Management Authority (the "Pool" or "OTARMA"). The management's discussion and analysis (the "MD&A") provides a review of the Pool's operating results for the years 2022 through 2024, as well as its financial condition at December 31, 2024, 2023 and 2022. The MD&A should be read in conjunction with the basic financial statements and notes thereto.

## **Overview**

OTARMA is a local government risk pool that offers comprehensive liability and property coverages specifically tailored to meet the needs of townships throughout the state of Ohio and provide them with an alternative to traditional insurance. OTARMA differs philosophically from traditional insurance programs in that OTARMA is an unincorporated, nonprofit association 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 late 1980s, in which political subdivisions in the State of Ohio were unable to purchase affordable insurance, led to the formation of local government risk pools. The transition from insurance to pooling has been so successful that there are over 400 governmental entity pools operating in the world today. OTARMA was formed in 1987 and has grown steadily to 1,049 members today.

The growth and success of pooling is often attributed to the availability of broad coverage and price stability, which OTARMA has consistently delivered since its formation. In addition to those advantages enjoyed by many pools, OTARMA stands out by providing responsive claims handling, coverage specific to Ohio townships, and customized risk control services, proving that its service-oriented philosophy has been a successful long-term solution for its members.

More recently, OTARMA has implemented a variety of new member services in response to emerging risks and exposures to Ohio townships. Members now have access to on-site cyber risk control assessments. Additionally, there is the M.O.R.E. Grant Program, which provides \$1,000 annually per township to help finance risk management initiatives, and the Police and Fire/EMS Policy Grant Program, which provides \$1,000 annually per department towards training, safety equipment, and policies and procedures. For many years, OTARMA members have shared in the Pool's historically favorable operating results, in the form of budgetary distributions.

OTARMA's Annual Report provides members with detailed information about the Pool. Additionally, OTARMA's website provides members with information on news and events and contains links to valuable resources including a comprehensive online risk control library that contains numerous risk management and training materials in a variety of convenient formats. OTARMA enjoys the distinct privilege of being the pool with the most townships in Ohio and the only pool endorsed by the Ohio Township Association (the "OTA"). The OTA endorsement is significant; the OTA is dedicated to the promotion and preservation of Ohio township government and serves as a resource to aid in effective township government.

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

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**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2024, 2023 and 2022

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## **Administration**

Sedgwick ("Sedgwick" or "Management") functions as the administrator of the Pool and provides program management, underwriting, claims, risk control, risk management and reinsurance services for the Pool. Sedgwick's pool administration team includes certified public accountants, credentialed underwriters, attorneys who specialize in public entity claims and a host of other subject matter experts, who have decades of experience in the successful management of public entity pools.

## **Financial Overview and Highlights**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,670,807	\$ 3,193,212	\$ 2,435,353
Investments, at fair value	30,151,269	30,301,245	29,852,745
Member contributions to be billed			
in the future	9,809,547	8,659,684	7,607,573
Other assets	2,800,586	1,808,200	1,934,228
Total assets	<u>45,432,209</u>	<u>43,962,341</u>	<u>41,829,899</u>
<b>LIABILITIES</b>			
Claims and claim adjustment expense reserves	12,568,762	10,885,549	9,146,434
Unearned premium reserves	21,014	15,117	20,619
Other liabilities	2,423,080	1,452,904	1,385,414
Total liabilities	<u>15,012,856</u>	<u>12,353,570</u>	<u>10,552,467</u>
Net position - unrestricted	<u><u>\$ 30,419,353</u></u>	<u><u>\$ 31,608,771</u></u>	<u><u>\$ 31,277,432</u></u>

Approximately 73 percent in 2024, 76 percent in 2023 and 77 percent in 2022 of total assets consist of cash, cash equivalents, and investments. As a result of the Pool's conservative investment objectives and policies, the overall investment return (excluding the net realized and unrealized gains and losses on investments) totaled 2.8 percent during the year ended December 31, 2024. At December 31, 2024, 2023 and 2022, substantially all of the Pool's investments were invested in U.S. government securities, U.S. agency securities, mutual funds, certificates of deposit, or common stock.

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OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2024, 2023 and 2022

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

The Pool's claims and claim adjustment expense reserves totaled \$12,568,762, \$10,885,549, and \$9,146,434 as of December 31, 2024, 2023, and 2022, respectively. For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, claim frequency and severity, and other economic factors. Because these estimates are impacted by complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claim reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claim reserves are charged to expense in the periods in which the adjustments are made. During the year ended December 31, 2024, the Pool increased its provision for claims incurred in prior years by \$1,160,363 as a result of an increase in estimates for public officials, police and auto liability claims. Total claim payments increased by 11 percent, from \$7,994,666 in 2023 to \$8,854,875 in 2024.

Net position at December 31, 2024 decreased by \$1,189,418 from the year ended December 31, 2023 primarily as a result of increases to estimates for claims and claims adjustment expense reserves.

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**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2024, 2023 and 2022

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Operating revenue</b>			
Member contributions	\$ 24,879,357	\$ 20,686,478	\$ 19,027,182
Reinsurance premiums ceded	(6,556,857)	(4,253,539)	(3,624,212)
Change in contributions that will be billed in the future to pay unpaid claims	1,149,863	1,052,111	(1,766,783)
Total operating revenue	<u>19,472,363</u>	<u>17,485,050</u>	<u>13,636,187</u>
<b>Operating expenses</b>			
Provision for claims	10,538,088	9,733,781	5,516,132
General and administrative expenses	10,103,978	8,337,327	7,770,910
Total operating expenses	<u>20,642,066</u>	<u>18,071,108</u>	<u>13,287,042</u>
Net operating loss	(1,169,703)	(586,058)	349,145
<b>Nonoperating (expense) revenue:</b>			
Interest and dividend income	847,606	702,983	506,318
Net realized and unrealized gains on investments	723,228	1,010,799	(2,696,356)
Budgetary distributions	(1,579,302)	(794,520)	(789,739)
Total nonoperating (expense) revenue	<u>(8,468)</u>	<u>919,262</u>	<u>(2,979,777)</u>
Withdrawals - member capital	<u>(11,247)</u>	<u>(1,865)</u>	<u>(12,872)</u>
Change in net position	(1,189,418)	331,339	(2,643,504)
Net position, beginning of year	<u>31,608,771</u>	<u>31,277,432</u>	<u>33,920,936</u>
Net position, end of year	<u>\$ 30,419,353</u>	<u>\$ 31,608,771</u>	<u>\$ 31,277,432</u>

The Pool's membership decreased from 1,057 members in 2023 to 1,049 members in 2024. Member contributions increased from \$20,686,478 in 2023 to \$24,879,357 in 2024.

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**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2024, 2023 and 2022**

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The Pool uses reinsurance and excess risk sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of the Pool's claims from reinsurers and a risk sharing pool, although they do not discharge the Pool's primary liability for such payments. As of December 31, 2024, the Pool is a member of American Public Entity Excess Pool ("APEEP"), which was also administered by Sedgwick. APEEP provided the Pool with an excess risk sharing program. Under this arrangement, the Pool retains risks up to an amount specified in the contracts (for 2023, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims; for 2024, the Pool retained \$500,000 for casualty claims and property claims). The Board of Directors and Sedgwick periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Effective January 1, 2025, the Pool exited its agreement with the APEEP. The Pool secured reinsurance for claims incurred after January 1, 2025 from commercial reinsurers replacing layers reinsurance by APEEP prior to 2025. Per the APEEP agreement, the Pool assumes responsibility for claims incurred prior to December 31, 2024. Reinsurance premiums ceded to APEEP and the Pool's excess reinsurers totaled approximately \$6,556,000 and \$4,254,000 for the years ended December 31, 2024 and 2023, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2024 and 2023 for expected recoveries under the reinsurance and excess risk sharing agreements totaled approximately \$6,800,000 and \$7,179,000, respectively.

In accordance with generally accepted accounting principles, all investments maintained by the Pool must be reported at fair value (marked-to-market concept). Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net position as unrealized gains or losses on investments. Net realized and unrealized gains on investments totaled \$723,228 and \$1,010,799 during the years ending December 31, 2024 and 2023, respectively, as a result of market conditions that occurred over each year.

Total operating expenses of the Pool increased in 2024 from 2023, totaling \$19,373,706 and \$18,071,108, or 78 percent and 87 percent of member contributions, respectively. This increase is primarily due to an increase in incurred claim and claim adjustment expenses in the current year.

#### **Economic Facts and Next Year's Rates**

The rates charged by the Pool for member contributions for the next year are expected to increase due to the continued rising severity from weather-related claims and the corresponding hardening of the property reinsurance market. General and administrative expenses are budgeted to remain consistent with amounts reported in 2024. The provision for claim payments is budgeted to be consistent with historical trends and Management is unaware of any new economic or legislative events that would have a significant impact on the operations of the Pool.

#### **Contacting the Pool's Management**

This financial report is intended to provide OTARMA members and regulators with a general overview of the accountability for the revenue OTARMA receives. Additional information regarding the Pool is available on OTARMA's website, [www.otarma.org](http://www.otarma.org). If you have questions about this report or need additional information, contact Robert A. Ooms, Director of Finance, Sedgwick at (248) 671-1750.

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**STATEMENTS OF NET POSITION**  
December 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,670,807	\$ 3,193,212
Investment securities - at fair value	15,823,592	15,683,850
Member contribution receivable	2,452,513	1,567,456
Reinsurance receivable on paid claims	171,783	62,765
Member contributions to be billed in the future	3,900,000	3,200,000
Accrued investment income	176,290	177,979
Total current assets	<u>25,194,985</u>	<u>23,885,262</u>
Noncurrent assets:		
Investment securities, at fair value	14,327,677	14,617,395
Member contributions to be billed in the future	5,909,547	5,459,684
Total noncurrent assets	<u>20,237,224</u>	<u>20,077,079</u>
Total assets	45,432,209	43,962,341
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	1,243,499	822,396
Claims and claim adjustment expense reserves	6,659,215	5,425,865
Reinsurance premiums payable	1,179,581	630,508
Total current liabilities	<u>9,082,295</u>	<u>6,878,769</u>
Noncurrent liabilities:		
Claims and claim adjustment expense reserves	5,909,547	5,459,684
Unearned premium reserves	21,014	15,117
Total noncurrent liabilities	<u>5,930,561</u>	<u>5,474,801</u>
Total liabilities	<u>15,012,856</u>	<u>12,353,570</u>
Net position - unrestricted	<u>\$ 30,419,353</u>	<u>\$ 31,608,771</u>

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See Notes to Basic Financial Statements.

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
Years Ended December 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
<b>Operating revenue:</b>		
Member contributions	\$ 24,879,357	\$ 20,686,478
Reinsurance premiums ceded	(6,556,857)	(4,253,539)
Change in contributions that will be billed in the future to pay unpaid claims	1,149,863	1,052,111
Total operating revenue	<u>19,472,363</u>	<u>17,485,050</u>
<b>Operating expenses:</b>		
Claims and claim adjustment expenses	10,538,088	9,733,781
Marketing and administrator fees	6,957,970	6,210,945
Other	3,146,008	2,126,382
Total operating expenses	<u>20,642,066</u>	<u>18,071,108</u>
<b>Operating loss</b>	(1,169,703)	(586,058)
<b>Nonoperating (expense) revenue:</b>		
Interest and dividend income	847,606	702,983
Net realized and unrealized gains on investments	723,228	1,010,799
Budgetary distributions	(1,579,302)	(794,520)
Total nonoperating (expense) revenue	<u>(8,468)</u>	<u>919,262</u>
Withdrawals - Member capital	<u>(11,247)</u>	<u>(1,865)</u>
<b>Change in net position</b>	(1,189,418)	331,339
Net position, beginning of year	<u>31,608,771</u>	<u>31,277,432</u>
<b>Net position, end of year</b>	<u><u>\$ 30,419,353</u></u>	<u><u>\$ 31,608,771</u></u>

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See Notes to Basic Financial Statements.

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Cash received from members	\$ 24,000,197	\$ 20,573,406
Cash paid for claims	(8,963,893)	(7,718,472)
Cash paid for reinsurance premiums	(6,007,784)	(4,155,395)
Cash paid for administrative and general expenses	(9,682,875)	(8,367,981)
Net cash flows from operating activities	<u>(654,355)</u>	<u>331,558</u>
<b>Cash flows from investing activities</b>		
Investment income received	851,638	660,387
Purchase of investments	(20,615,663)	(13,206,061)
Proceeds from sales and maturities of investments	21,486,524	13,768,360
Net cash flows from investing activities	<u>1,722,499</u>	<u>1,222,686</u>
<b>Cash flows from noncapital financing activities</b>		
Payments for member withdrawals - capitalization	(11,247)	(1,865)
Payments for member distributions - budgetary	(1,579,302)	(794,520)
Net cash flows from noncapital financing activities	<u>(1,590,549)</u>	<u>(796,385)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	(522,405)	757,859
Cash and cash equivalents, beginning of year	<u>3,193,212</u>	<u>2,435,353</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 2,670,807</u></b>	<b><u>\$ 3,193,212</u></b>

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

	<u>2024</u>	<u>2023</u>
Net operating loss	\$ (1,169,703)	\$ (586,058)
Changes in operating assets and liabilities:		
Member contributions receivable	(885,057)	(107,570)
Reinsurance receivable on paid claims	(109,018)	267,194
Deductible receivable	-	9,000
Member contributions to be billed in the future	(1,149,863)	(1,052,111)
Unearned premium reserves	5,897	(5,502)
Claims and claim adjustment expense reserves	1,683,213	1,739,115
Reinsurance premiums payable	549,073	98,144
Accounts payable and accrued expenses	<u>421,103</u>	<u>(30,654)</u>
Net cash flows from operating activities	<u>\$ (654,355)</u>	<u>\$ 331,558</u>

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See Notes to Basic Financial Statements.

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2024 and 2023

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

The Pool was created in March 1987 and organized under the laws of the State of Ohio as a local government risk pool. The Ohio Township Association endorses and promotes the Pool. A total of 1,049 townships within the State of Ohio participate in the Pool. OTARMA's primary objectives are to offer customized property and casualty coverage at a fair and stable price, provide a high level of service, and be responsive to the needs of its members.

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

The accompanying basic financial statements are presented using the full accrual method of accounting in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities.

The Pool distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue relates to member contributions. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating.

The Pool engages Sedgwick ("Sedgwick" or "Management") to serve as the administrator of the Pool. Sedgwick specializes in public entity risk pool management and provides a full spectrum of administrative services. As provided for in its administrative agreement, Sedgwick contracts specific services to subcontractors. Marketing and member services are provided by Accrisure, LLC. Risk control services are provided by KLA Risk Consulting. Claim and cyber risk control assessment services are provided by Sedgwick's wholly owned subsidiary, Public Entity Risk Services of Ohio. OTARMA reimburses these organizations for their services pursuant to the terms of their respective agreements with Sedgwick.

**Cash and Cash Equivalents:** The Pool classifies certain securities with original maturity dates of three months or less from the date of purchase as cash equivalents. Cash equivalents are comprised of money market funds as of December 31, 2024 and 2023. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. During the normal course of business, the Pool may maintain cash balances in excess of the FDIC insurance limit. It is the Pool's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis.

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(Continued)

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments:** The Pool accounts for its investments in accordance with GASB Statement No. 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools”* (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. The amortized cost of debt securities are adjusted using the interest method for amortization of premiums and accretion of discounts. Such amortization and accretion is included in net investment income. Investment purchases are recognized on the settlement date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

In accordance with GASB Statement No. 40, *“Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3,”* certain disclosures regarding deposit and investment risks have been provided in Note 2.

**Member Contributions and Deductibles Receivable:** Member contributions and deductibles receivable represent amounts due from members of the Pool and are considered collectible.

**Bad Debts:** The Pool uses the allowance method to record bad debts. The Pool records an allowance for doubtful accounts against its outstanding member contributions and deductibles receivable, which is based on its estimation of bad debts in the near term. This estimate is based on the Pool’s past experience with collecting its receivables from members and an analysis of current member contributions receivable. There was no allowance for doubtful accounts recorded as of December 31, 2024 and 2023. There was no bad debt expense recorded for the years ended December 31, 2024 and 2023.

**Member Contributions to be Billed in the Future:** Member contributions to be billed in the future represent the amounts recoverable from members that have not been billed as of December 31 and directly relate to current estimates of unpaid claims and claim adjustment expenses from prior certificate years. These amounts will be billed in the period when the estimated incurred claims, claim adjustment expenses, and related administrative expenses for each certificate year are anticipated to be paid.

**Claims and Claim Adjustment Expense Reserves:** Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claim expenses from reported claims and claims incurred but not reported. Expected recoveries under reinsurance and excess risk sharing agreements are deducted from claims and claim expense reserves. Changes to estimates are currently reflected in the statement of revenue, expenses, and changes in net position.

**Reinsurance:** In the normal course of business, the Pool seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. As these estimates change, the adjustment is recorded in the current period. Reinsurance recoverable on paid losses includes amounts for losses and loss adjustment expenses paid by the Pool, which are expected to be recoverable from reinsurance companies. As of December 31, 2024 and 2023, the reinsurance recoverable on paid losses is associated with reinsurance agreements with related parties and other external reinsurers.

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(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2024 and 2023

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capitalization Contributions:** Casualty capitalization contributions are accounted for under the provisions of GASB Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools* (Interpretation No. 4). Under Interpretation No. 4, capitalization contributions to pools to which risk is transferred must be accounted for as revenue by initially recording such contributions as unearned premiums, then amortizing them into revenue over an appropriate period not to exceed 10 years. Unearned premium reserves resulting from the application of Interpretation No. 4 are being amortized pro rata over the funding period, the period over which a member makes casualty capitalization contributions. The amounts are reflected within member contributions in the basic financial statements.

**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 reflect the amount to be contributed by members for estimated payment of claims and claim adjustment expenses, reinsurance expenses, related operating expenses and surplus maintenance for each certificate year and are recognized when billed. Paid claims and claim adjustment expenses for the subsequent certificate year are estimated using a variety of actuarial and statistical techniques.

**Budgetary Distributions:** Budgetary distributions represent surplus funds maintained in the casualty or property budgetary funds that are authorized and approved by the Board of Directors to be paid to members. The amounts are reflected in the basic financial statements during the year of the distribution which coincides with the period of final approval.

**Cumulative Reserve Fund Distributions:** In accordance with the membership agreement, the Board of Directors may authorize distributions of cumulative reserve funds ("CRF") to members. Members must meet certain qualifications and their CRF account balance must exceed levels as determined by the Board of Directors. If the Board of Directors approves a CRF Distribution Plan, amounts to be distributed under this plan are determined annually based on a variety of factors including risk assumed by the Pool, operating results, changes in doctrines of legal liability, changes in damage awards, investment markets and other insurance industry developments. Amounts are reflected in the basic financial statements in the year the distribution is approved by the Board of Directors.

**Use of Estimates:** Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as of the statement of net position date, and the amounts of revenue and expenses during the reporting period, in order 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 operates in a manner whereby it continues to be tax exempt.

**Subsequent Events:** Subsequent to year end, effective January 1, 2025, the Pool exited its agreement with the American Public Entity Excess Pool ("APEEP"). See Note 5.

Subsequent events have been evaluated through June 30, 2025, which is the date the financial statements were available to be issued.

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(Continued)

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Pool designated JPMorgan Chase for the deposit of its funds and UBS Financial Services to manage the investments for the Pool.

Deposits and investments are reported in the basic financial statements for December 31, 2024 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
<b>Deposits:</b>		
Cash and cash equivalents	\$ 2,670,807	\$ -
Certificates of deposit	- <hr/>	- <hr/>
	2,670,807	-
<b>Investments:</b>		
U.S. Treasury securities	- <hr/>	22,618,105
Common stock/ETFs	- <hr/>	4,132,645
Mutual funds	- <hr/>	882,911
U.S. agencies and pass-throughs	- <hr/>	2,517,608
Total investments	- <hr/>	30,151,269
<b>Total</b>	<b><u>\$ 2,670,807</u></b>	<b><u>\$ 30,151,269</u></b>

Deposits and investments are reported in the basic financial statements for December 31, 2023 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
<b>Deposits:</b>		
Cash and cash equivalents	\$ 3,193,212	\$ -
Certificates of deposit	- <hr/>	72,435
	3,193,212	72,435
<b>Investments:</b>		
U.S. Treasury securities	- <hr/>	21,570,806
Common stock/ETFs	- <hr/>	3,973,317
Mutual funds	- <hr/>	2,015,882
U.S. agencies and pass-throughs	- <hr/>	2,668,805
Total investments	- <hr/>	30,228,810
<b>Total</b>	<b><u>\$ 3,193,212</u></b>	<b><u>\$ 30,301,245</u></b>

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

**Custodial Credit Risk of Bank Deposits:** The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses. At December 31, 2024 and 2023, the Pool had \$6,687,901 and \$2,261,683, respectively, of deposits that were uninsured and uncollateralized.

(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2024 and 2023

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**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

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.

**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, 2024, the weighted average maturities of debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 22,618,105	1.66
U.S. agencies and pass-throughs	<u>2,517,608</u>	<u>2.18</u>
Total fair value	<u>\$ 25,135,713</u>	
Portfolio weighted average maturity		<u>1.43</u>

At December 31, 2023, the weighted average maturities of debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 21,570,806	1.74
U.S. agencies and pass-throughs	<u>2,668,805</u>	<u>0.23</u>
Total fair value	<u>\$ 24,239,611</u>	
Portfolio weighted average maturity		<u>1.57</u>

**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 certain equities.

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(Continued)

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2024 and 2023

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**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

At December 31, 2024 and 2023, the credit quality ratings of debt securities by investment type (other than the U.S. Treasury securities) are as follows:

<u>Investment Type - Rating</u>	<u>Fair Value</u> <u>2024</u>	<u>Fair Value</u> <u>2023</u>
U.S. agencies and pass-throughs - Aaa	\$ 2,517,608	\$ 2,668,805

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pool places no limit on the amount it may invest in any one issuer.

At December 31, 2024, the Pool had an investment in an issuer (excluding U.S. Treasury securities and mutual funds) greater than 5 percent of total investments of \$2,108,371 in Federal Home Loan Bank. This investment represented 7.0 percent of the Pool's total investments.

At December 31, 2023, the Pool had an investment in an issuer (excluding U.S. Treasury securities and mutual funds) greater than 5 percent of total investments of \$2,323,221 in Federal Home Loan Bank. This investment represented 7.7 percent of the Pool's total investments.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Accounting standards require certain assets and liabilities be reported at fair value in the basic financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Pool has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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(Continued)

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 3 - FAIR VALUE MEASUREMENTS** (Continued)

The following tables present information about the Pool's assets measured at fair value on a recurring basis at December 31, 2024 and 2023:

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ -	\$ 22,618,105	\$ -	\$ 22,618,105
U.S. agencies and pass-throughs	-	2,517,608	-	2,517,608
Mutual funds	882,911	-	-	882,911
Common stock/ETFs	4,132,645	-	-	4,132,645
 Total	 \$ 5,015,556	 \$ 25,135,713	 \$ -	 \$ 30,151,269
<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ -	\$ 21,570,806	\$ -	\$ 21,570,806
U.S. agencies and pass-throughs	-	2,668,805	-	2,668,805
Mutual funds	2,015,882	-	-	2,015,882
Common stock/ETFs	3,973,317	-	-	3,973,317
Certificates of deposit	72,435	-	-	72,435
 Total	 \$ 6,061,634	 \$ 24,239,611	 \$ -	 \$ 30,301,245

The following summarizes the valuation methodology used in determining fair value measurements of the significant classes of the Pool's financial instruments:

**Level 1 Measurements:** The fair values of common stocks and mutual funds invested in equities were determined using prices quoted in active markets. The certificates of deposit are at cost value, which due to their short-term nature approximates fair value.

**Level 2 Measurements:** The Pool estimates the fair values of U.S. Treasury securities, U.S. agencies and pass-throughs, and certificates of deposit using other inputs such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals.

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(Continued)

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSE RESERVES**

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

The following represents changes in claims and claim adjustment expense reserves for the years ended December 31, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Claims and Claim Adjustment			
Expense reserves, beginning of year	\$ 10,885,549	\$ 9,146,434	\$ 10,601,444
Incurred:			
Current year	9,377,725	11,291,138	8,004,575
Prior years	<u>1,160,363</u>	<u>(1,557,357)</u>	<u>(2,488,443)</u>
Total incurred	<u>10,538,088</u>	<u>9,733,781</u>	<u>5,516,132</u>
Paid:			
Current year	(4,122,534)	(5,093,560)	(3,910,821)
Prior years	<u>(4,732,341)</u>	<u>(2,901,106)</u>	<u>(3,060,321)</u>
Total paid	<u>(8,854,875)</u>	<u>(7,994,666)</u>	<u>(6,971,142)</u>
Claims and Claim Adjustment			
Expense reserves, end of year	<u>\$ 12,568,762</u>	<u>\$ 10,885,549</u>	<u>\$ 9,146,434</u>

Reserves for claims and claims adjustment expense attributable to covered events in prior years changed as a result of re-estimation of unpaid claims and claims 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.

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(Continued)

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

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**NOTE 5 - REINSURANCE AND EXCESS RISK SHARING AGREEMENTS**

Effective January 1, 2025, the Pool exited its agreement with the APEEP. The Pool had been a member of APEEP as part of its excess liability coverage arrangement. APEEP provides reinsurance and excess risk sharing programs for its member pools, all of which are public entity risk pools. Effective January 1, 2025, the Pool exited its agreement with the APEEP. The Pool secured reinsurance for claims incurred after January 1, 2025 from commercial reinsurers replacing layers reinsured by APEEP prior to 2025. Per the APEEP agreement, the Pool assumes responsibility for claims incurred prior to December 31, 2024.

The Pool uses these reinsurance and excess risk sharing agreements to reduce its exposure to large specific and aggregate losses. These agreements permit recovery of a portion of its claims from reinsurers and APEEP, 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 APEEP during the years ended December 31, 2024 and 2023 totaled \$6,556,857 and \$4,253,539, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2024 and 2023 for reinsurance and excess risk sharing agreements totaled approximately \$6,800,000 and \$7,179,000, respectively.

**NOTE 6 - MEMBER DISTRIBUTIONS**

Members must make contributions to the CRF for the first six years of membership. Qualifying members may receive distributions from the CRF pursuant to the formulas currently established by the Pool. There were no CRF distributions charged to operations for qualifying members during the years ended December 31, 2024 and 2023.

In 2024 and 2023, the Board of Directors approved a budgetary cash distribution to members of \$1,600,000 and \$800,000, respectively. For the years ended December 31, 2024 and 2023, budgetary cash distributions paid to members totaled \$1,579,302 and \$794,520, respectively.

**NOTE 7 - MEMBER CONTRIBUTIONS**

The following summarizes the components of member contributions for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Member contributions - operating	\$ 24,766,876	\$ 20,594,180
Member contributions - cumulative reserve fund	118,378	86,796
Change in unearned premium reserves	<u>(5,897)</u>	<u>5,502</u>
 Total member contributions	 <u>\$ 24,879,357</u>	 <u>\$ 20,686,478</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**CASUALTY CLAIMS DEVELOPMENT INFORMATION**  
Year Ended December 31, 2024

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1. Required contributions and investment income:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Earned	\$ 7,073,497	\$ 7,323,841	\$ 7,465,408	\$ 7,640,040	\$ 7,764,525	\$ 7,774,892	\$ 8,190,023	\$ 8,757,621	\$ 9,120,123	\$ 10,018,050
Ceded	986,574	993,659	1,301,136	1,046,864	801,645	906,885	962,689	1,051,890	1,004,868	2,230,579
Net	6,086,923	6,330,182	6,164,272	6,593,176	6,962,880	6,868,007	7,227,334	7,705,731	8,115,255	7,787,471
2. Expenses other than allocated claim adjustment expenses	2,548,582	2,615,748	2,684,371	2,871,159	2,925,217	3,002,063	3,435,275	3,389,665	3,417,606	3,659,890
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	3,377,339	3,260,295	3,987,011	4,799,163	4,417,240	4,377,684	4,108,919	4,238,316	7,488,999	5,189,078
Ceded	304,007	310,534	1,265,259	1,236,576	1,017,832	884,598	783,636	912,256	2,565,880	1,402,630
Net	3,073,332	2,949,761	2,721,752	3,562,587	3,399,408	3,493,086	3,325,283	3,326,060	4,923,119	3,786,448
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	371,906	367,129	284,635	465,917	487,386	384,093	326,497	386,201	595,287	567,574
One year later	751,983	764,336	816,445	894,909	967,049	1,161,854	1,008,679	856,785	2,486,543	
Two years later	1,212,195	1,113,061	1,572,254	1,342,975	2,427,985	1,566,489	1,674,183	1,249,709		
Three years later	2,196,782	1,281,164	1,743,997	2,292,939	3,114,504	1,780,921	2,604,747			
Four years later	2,384,877	1,387,215	1,954,316	2,441,693	3,212,990	1,967,714				
Five years later	2,528,918	1,812,004	1,997,555	2,463,127	3,278,400					
Six years later	2,604,780	1,882,052	2,040,485	2,436,333						
Seven years later	2,631,370	1,882,052	2,140,754							
Eight years later	2,696,664	1,882,052								
Nine years later	2,696,664									
5. Reestimated ceded claims and expenses	129,873	81,537	2,920,047	(31,659)	(64,624)	(119,722)	3,584,259	500,800	1,680,738	1,995,125
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	3,073,332	2,949,761	2,721,752	3,562,587	3,399,408	3,493,086	3,325,283	3,326,060	4,923,119	3,786,448
One year later	2,563,388	2,495,330	2,606,228	3,290,739	3,336,316	3,314,148	3,067,127	2,577,073	5,829,610	
Two years later	2,562,730	2,225,097	3,189,708	3,568,054	3,826,586	2,608,767	2,836,537	2,377,565		
Three years later	2,744,468	1,981,510	2,893,315	3,356,603	3,569,852	2,283,766	3,355,368			
Four years later	2,859,335	2,333,352	2,699,703	2,540,639	3,291,107	2,421,316				
Five years later	2,876,974	2,528,989	2,905,938	2,436,333	3,366,281					
Six years later	2,899,140	1,875,099	2,942,285	2,436,333						
Seven years later	2,742,632	1,882,052	2,961,455							
Eight years later	2,696,664	1,882,052								
Nine years later	2,696,664									
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ (376,668)	\$ (1,067,709)	\$ 239,703	\$ (1,126,254)	\$ (33,127)	\$ (1,071,770)	\$ 30,085	\$ (948,495)	\$ 906,491	\$ -

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**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**PROPERTY CLAIMS DEVELOPMENT INFORMATION**  
Year Ended December 31, 2024

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
1. Required contributions and investment income:										
Earned	\$ 7,829,462	\$ 8,278,678	\$ 8,615,542	\$ 8,922,396	\$ 9,355,022	\$ 9,744,201	\$ 10,353,878	\$ 10,887,356	\$ 12,368,160	\$ 16,310,382
Ceded	918,959	971,290	998,404	829,793	1,044,204	1,588,620	2,261,848	2,572,322	3,248,671	4,326,279
Net	6,910,503	7,307,388	7,617,138	8,092,603	8,310,818	8,155,581	8,092,030	8,315,034	9,119,489	11,984,103
2. Expenses other than allocated claim adjustment expenses	3,133,086	3,314,705	3,438,333	3,635,038	3,793,973	3,955,929	4,078,683	4,381,245	4,919,721	6,444,086
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	2,777,384	3,906,777	3,435,572	2,652,526	6,489,943	4,130,068	6,424,348	5,875,233	6,893,772	5,591,277
Ceded	374,408	1,551,330	26,501	-	1,806,723	255,172	1,773,514	1,178,296	525,753	-
Net	2,402,976	2,355,447	3,409,071	2,652,526	4,683,220	3,874,896	4,650,834	4,696,937	6,368,019	5,591,277
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	2,313,456	1,876,586	2,292,932	1,999,143	2,845,629	3,160,890	3,704,802	3,543,043	4,498,273	3,554,960
One year later	2,444,976	2,543,350	3,227,595	2,393,326	4,304,157	3,517,024	4,467,441	4,712,328	5,764,436	
Two years later	2,458,934	2,547,263	3,178,166	2,410,434	4,405,685	3,752,636	4,462,888	4,712,665		
Three years later	2,485,176	2,546,484	3,178,341	2,407,699	4,405,995	3,869,640	4,853,250			
Four years later	2,478,880	2,546,184	3,178,341	2,409,524	4,409,886	4,105,093				
Five years later	2,472,065	2,545,228	3,178,341	2,429,264	4,763,985					
Six years later	2,468,315	2,544,378	3,178,341	2,608,073						
Seven years later	2,464,265	2,544,378	3,178,341							
Eight years later	2,462,859	2,544,378								
Nine years later	2,462,859									
5. Reestimated ceded claims and expenses	311,816	956,142	173,099	-	1,757,501	276,386	1,720,191	1,084,437	757,811	-
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	2,402,976	2,355,447	3,409,071	2,652,526	4,683,220	3,874,896	4,650,834	4,696,937	6,368,019	5,591,277
One year later	2,476,507	2,534,857	3,234,497	2,401,154	4,302,097	3,778,565	4,715,075	4,890,483	6,339,320	
Two years later	2,458,939	2,551,757	3,179,434	2,410,434	4,414,137	3,874,591	4,590,470	4,774,388		
Three years later	2,500,709	2,546,719	3,179,309	2,407,699	4,411,275	3,907,781	4,898,155			
Four years later	2,482,609	2,546,419	3,179,309	2,409,524	4,414,690	4,135,257				
Five years later	2,474,609	2,545,228	3,178,341	2,429,495	4,768,527					
Six years later	2,470,859	2,544,378	3,178,341	2,609,859						
Seven years later	2,466,809	2,544,378	3,178,341							
Eight years later	2,462,859	2,544,378								
Nine years later	2,462,859									
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	\$ 59,883	\$ 188,931	\$ (230,730)	\$ (42,667)	\$ 85,307	\$ 260,361	\$ 247,321	\$ 77,451	\$ (28,699)	\$ -

**OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY**  
**RECONCILIATION OF CLAIMS AND CLAIMS ADJUSTMENT EXPENSE RESERVES BY TYPE OF CONTRACT**  
Years Ended December 31, 2024 and 2023

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	Fiscal and Policy Years Ended December 31					
	<u>2024</u>			<u>2023</u>		
	<u>Casualty</u>	<u>Property</u>	<u>Total</u>	<u>Casualty</u>	<u>Property</u>	<u>Total</u>
<b>Claims and Claim Adjustment Expense Reserves -</b>						
Beginning of year	\$ 8,659,684	\$ 2,225,865	\$ 10,885,549	\$ 7,607,573	\$ 1,538,861	\$ 9,146,434
<b>Incurred Claims and Claim Adjustment Expenses</b>						
Provision for claims incurred in current year	3,786,448	5,591,277	9,377,725	4,923,119	6,368,019	11,291,138
Change in provision for claims incurred in prior years expenses	717,057	443,306	1,160,363	(1,678,891)	121,534	(1,557,357)
	<u>4,503,505</u>	<u>6,034,583</u>	<u>10,538,088</u>	<u>3,244,228</u>	<u>6,489,553</u>	<u>9,733,781</u>
<b>Payments</b>						
Claims and claim adjustment expenses paid for claims incurred in current year	(567,574)	(3,554,960)	(4,122,534)	(595,287)	(4,498,273)	(5,093,560)
Claims and claim adjustment expenses paid for claims incurred in prior years	(2,786,068)	(1,946,273)	(4,732,341)	(1,596,830)	(1,304,276)	(2,901,106)
Total payments	<u>(3,353,642)</u>	<u>(5,501,233)</u>	<u>(8,854,875)</u>	<u>(2,192,117)</u>	<u>(5,802,549)</u>	<u>(7,994,666)</u>
<b>Claims and Claim Adjustment Expense Reserves -</b>						
End of year	<u>\$ 9,809,547</u>	<u>\$ 2,759,215</u>	<u>\$ 12,568,762</u>	<u>\$ 8,659,684</u>	<u>\$ 2,225,865</u>	<u>\$ 10,885,549</u>

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INDEPENDENT AUDITOR'S 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 of  
Ohio Township Association Risk Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Township Association Risk Management Authority (the "Pool"), which comprise the statement of net position as of December 31, 2024, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated June 30, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

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(Continued)

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **The Pool's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Pool's response to the finding identified in our audit and described in the accompanying schedule of findings. The Pool's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

*Crowe LLP*  
Crowe LLP

Fort Lauderdale, Florida  
June 30, 2025

OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY  
SCHEDULE OF FINDINGS  
December 31, 2024

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**FINDING 2024-001 - Financial Close and Detailed Reviews Process**

Criteria:	During our evaluation of internal controls over the financial reporting process, we noted that management does not have adequately documented or consistently executed review procedures over the preparation of the financial statements. Specifically, there is insufficient evidence of supervisory review for journal entries and no formal reconciliation review is performed on supporting schedules, reconciliations and the final financial statements.
Condition:	The Pool lacks formal processes and reviews in the internal control environment. Specifically, there are no detailed journal entry reviews, year-end reconciliations and financial reporting are either not reviewed or are prepared and reviewed untimely.
Context:	These control deficiencies were identified in the financial close process, particularly during the year-end procedures.
Effect:	Material misstatements to the financial statements could go undetected.
Cause:	A lack of formal review processes and insufficient oversight in the financial close procedures contributed to the control weaknesses.
Repeat Finding:	No
Recommendation:	Implement a structured review process for all journal entries, ensure timely preparation and review of reconciliations and financial reporting, and strengthen oversight procedures to reinforce the internal control environment.
Response:	Management acknowledges the auditor's recommendations. The following actions will be taken to ensure that the required internal controls and timely oversight are in place for reviewing reconciliations and financial reporting. Completion date: September 1, 2025.
	<ol style="list-style-type: none"><li>1) Within the accounting software platform, the development of the journal entry approval workflow is underway. This will implement a structured review process for the journal entries posted to the General Ledger.</li><li>2) The Accounting and Finance team is appropriately staffed. Senior Accountants are responsible for preparing the reconciliations and financial statements. The Director of Finance will review and approve. We have re-added the Vice President of Finance as the secondary or backup reviewer of the final financial statements.</li></ol>

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# OHIO AUDITOR OF STATE KEITH FABER



## OHIO TOWNSHIP ASSOCIATION RISK MANAGEMENT AUTHORITY

### LUCAS COUNTY

### AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/29/2025

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)