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January 6, 2010

Carol Cutter, Chairperson
Indiana Political Subdivision Risk Management Commission
311 W. Washington St. Suite 300
Indianapolis, IN 46204

Dear Ms. Cutter:

We have received the audit report prepared by Thomas & Reed, LLC, Independent Public Accountants for the period January 1, 2008 to December 31, 2008. Per the auditors' opinion, the audit performed was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly the financial condition, except as listed in note 1 and 2, of the Indiana Political Subdivision Risk Management Commission as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The above referenced report is filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS

Thomas & Reed, LLC

Certified Public Accountants & Consultants

INDIANA POLITICAL SUBDIVISION RISK MANAGEMENT COMMISSION

AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

INDIANA POLITICAL SUBDIVISION RISK MANAGEMENT COMMISSION

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Certified Public Accountants & Consultants

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311 W. Washington Street
Indianapolis, Indiana 46204

We have audited the balance sheets of Indiana Political Subdivision Risk Management Commission (IPSRMC) as of December 31, 2008 and statements of revenue, expenses and changes in fund balance and statements of cash flows for the year ended. These financial statements are the responsibility of IPSRMC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Notes 1 and 2, there are no reserves for losses and other claims estimated for the year 2008. Because of the limited number of members and insufficient historical data, IPSRMC has made no provision for losses incurred but not reported or loss adjustment expenses. In our opinion, the provision for losses incurred; but not reported, is required by accounting principles generally accepted in the Unites States of America.

In our opinion, except for the omission discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Political Subdivision Risk Management Commission Funds as of December 31, 2008, and the results of their operations and their cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of historical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on this information.

Stephen A. Reed, CPA, MBA

Stephen A. Reed, CPA, MBA
Audit Member
Indianapolis, Indiana

"Our Client's Success Is Our Success"

8925 N. Meridian St., Suite 115, Indianapolis, IN 46260
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Political Subdivision Risk Management Commission Funds
Balance Sheet
As of December 31, 2008

	Risk Management Fund	Catastrophic Liability Fund	Total
ASSETS			
Cash and short-term investments	$ 1,114,196	$ 7,918,389	$ 9,032,585
Accrued investment income	-	80,611	80,611
Total assets	$ 1,114,196	$ 7,999,000	$ 9,113,196
LIABILITIES			
Accrued expenses	-	25,478	25,478
Total liabilities	-	25,478	25,478
FUND BALANCE			
Fund balance unrestricted	517,321	7,973,522	8,490,843
Contributed surplus	596,875	-	596,875
Total fund balance	1,114,196	7,973,522	9,087,718
Total liabilities and fund balance	$ 1,114,196	$ 7,999,000	$ 9,113,196

See Accompanying Accountants' Audit Report and Notes to Financial Statements.

Political Subdivision Risk Management Commission Funds
Statements of Revenue, Expenses and Changes in Fund Balance
Year Ended December 31, 2008

	Risk Management Fund	Catastrophic Liability Fund	Total
REVENUES			
Premiums earned	$ -	$ 63,989	$ 63,989
Investment income	19,364	220,735	240,099
Total revenues	19,364	284,724	304,088
EXPENSES			
Commissions	-	3,839	3,839
Management fees - Note 3	-	65,134	65,134
Public officials insurance	-	25,478	25,478
General expenses	-	32,414	32,414
Total expenses	-	126,865	126,865
EXCESS OF REVENUES OVER EXPENSES	19,364	157,859	177,223
FUND BALANCE AT BEGINNING OF YEAR	1,094,832	7,815,663	8,910,495
FUND BALANCE AT END OF YEAR	$ 1,114,196	$ 7,973,522	$ 9,087,718

See Accompanying Accountants' Audit Report and Notes to Financial Statements.

Political Subdivision Risk Management Commission Funds
Statements of Cash Flows
Year Ended December 31, 2008

	Risk Management Fund	Catastrophic Liability	Total
NET CASH FROM OPERATING ACTIVITIES			
Excess of revenues over expenses/ (expenses over revenues)	$ 19,364	$ 157,859	$ 177,223
Adjustments to reconcile excess of revenues over expenses/(expenses over revenues) to net cash from operating activities	-	-	-
Change in net assets and liabilities:	-	-	-
Premium receivables	-	95	95
Accrued investment income	-	(3,945)	(3,945)
Accrued expenses	-	(15,522)	(15,522)
Net change in cash and cash equivalent	19,364	138,487	157,851
Cash and cash equivalents at beginning of year	$ 1,094,832	$ 7,779,902	$ 8,874,734
Cash and cash equivalents at end of year	$ 1,114,196	$ 7,918,389	$ 9,032,585

See Accompanying Accountants' Audit Report and Notes to Financial Statements.

INDIANA POLITICAL SUBDIVISION RISK MANAGEMENT COMMISSION FUNDS
NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity: The financial statements include the accounts of the Political Subdivision Risk Management Fund (Basic fund or Risk Management fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). The funds are administered by the Indiana Political Subdivision Risk Management Commission (IPSRMC) and operate under authority created by the legislature of the State of Indiana. The funds were established to aid political subdivisions in protecting themselves against liabilities. Members may withdraw from the funds by providing written notice of their intent to withdraw ninety days prior to the end of the policy period. At December 31, 2008, there were 2 members participating in the Catastrophic fund and no members in the Basic/Risk Management fund.

Effective July 1, 1998, the legislature granted IPSRMC the authority to close the Basic fund. The Basic fund was suspended January 1, 1999. However, on February 12, 2003, IPSRMC reactivated the Basic fund.

Basis of Accounting: The funds recognize revenues and expenses using the GASB basis of accounting. This method does not require accrual based accounting be utilized. Accrual entries are made by the independent auditors at calendar year end.

Cash and Cash Equivalents: Cash and cash equivalents include all monies in banks and highly liquid investments with maturity of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Recognition of Premium Revenues: Annual premiums are recognized as revenues on a pro-rata basis over the policy term. IPSRMC has the authority to retroactively assess members for fund operating deficits. These special assessments are recognized as revenues when assessed.

Short-Term Investments: IPSRMC deposits all funds with the Treasurer of State of Indiana for investment in interest-bearing accounts.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reserve for Losses and Other Claims: The decrease in memberships and insufficient past experience has precluded IPSRMC from making a reasonable estimate to reserve for losses incurred, but not reported or loss adjustment expenses. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

The maximum amounts payable for any liability of the Basic fund is $700,000 per person and $1,000,000 per occurrence. Generally, the Catastrophic fund covers liabilities in excess of primary coverage up to $5,000,000.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

Contributed Surplus: Contributed surplus represents annual assessments levied against members of the Basic fund. There were no surplus assessments for 2008.

Income Taxes: The funds are exempt from taxation under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made.

Premium Receivable: IPSRMC accounts for premium receivable based on amounts billed to customers. Most billings and past due receivables are determined based on contractual terms. IPSRMC does not accrue interest on any of its premium receivable.

NOTE 2 – RESERVE FOR LOSSES AND OTHER CLAIMS

No activity in the reserve for losses and other claims for the calendar year ending 2008.

NOTE 3 – MANAGEMENT AGREEMENT

IPSRMC entered into a management agreement with Public Risk Underwriters of Indiana, Inc., d/b/a Downey Insurance Services February 1, 2007, which is due to expire January 31, 2010. Under terms of the agreement, Downey Insurance receives management fees equal to 10% of all assessments paid to IPSRMC by its members. In addition, a predetermined fee will be paid per claim processed. Total management fees for the year ending December 31, 2008 were $65,134.

NOTE 4 – INSURANCE

As of December 31, 2008, the Basic fund and Catastrophic fund had not purchased reinsurance to reduce its exposure to claim settlements and related expenses. The last reinsurance policy purchased expired June 30, 2007.

Indiana Political Subdivision Risk Management Commission Funds
Schedule of Historical Information - Basic
December 31, 1988 through 2008
(Unaudited)

	Premium Earned	Investment Income	Loss Adjustment Expenses-Net	Claims Paid	Totals	Cumulative
1988	355,897	18,530	(557)	8,614	8,057	8,057
1989	353,016	31,009	17,246	433	17,679	25,736
1990	326,377	75,305	68,482	89,272	157,754	183,490
1991	159,986	77,194	60,539	59,862	120,401	303,891
1992	156,045	38,452	23,636	63,058	86,694	390,585
1993	128,167	26,165	46,737	90,027	136,764	527,349
1994	134,001	31,869	21,385	96,963	118,348	645,697
1995	118,375	37,159	52,093	22,660	74,753	720,450
1996	153,384	40,891	19,417	79,539	98,956	819,406
1997	83,879	5,070	44,188	18,165	62,353	881,759
1998	20,477	27,417	4,326	1,031	5,357	887,116
1999	-	33,110	75,492	-	75,492	962,608
2000	-	24,551	700	-	700	963,308
2001	-	29,252	-	-	-	963,308
2002	-	10,837	-	4,764	4,764	968,072
2003	-	5,757	-	10,781	10,781	978,853
2004	66,400	4,849	-	508	508	979,361
2005	66,400	17,790	-	708	708	980,069
2006	66,400	59,330	-	-	-	980,069
2007	66,400	62,499	-	-	-	980,069
2008	-	19,364	-	-	-	980,069

Indiana Political Subdivision Risk Management Commission Funds
Schedule of Historical Information - Catastrophic
December 31, 1988 through 2008
(Unaudited)

	Premium Earned	Investment Income	Loss Adjustment Expenses-Net	Claims Paid	Totals	Cumulative
1988	568,509	15,785	-	-	-	-
1989	755,740	65,894	-	-	-	-
1990	859,866	84,919	357	-	357	357
1991	700,932	120,739	2,191	-	2,191	2,548
1992	626,592	62,738	-	-	-	2,548
1993	675,399	78,500	-	-	-	2,548
1994	662,181	112,992	-	-	-	2,548
1995	678,385	234,243	-	-	-	2,548
1996	717,908	243,361	4,608	1,311,663	1,316,271	1,318,819
1997	624,505	355,196	-	-	-	1,318,819
1998	514,988	207,894	39,385	-	39,385	1,358,204
1999	555,257	321,199	-	-	-	1,358,204
2000	590,279	235,940	-	-	-	1,358,204
2001	621,058	288,031	-	-	-	1,358,204
2002	573,509	110,751	-	-	-	1,358,204
2003	576,190	61,569	-	-	-	1,358,204
2004	593,873	49,026	-	-	-	1,358,204
2005	661,852	179,876	-	-	-	1,358,204
2006	481,617	370,603	-	-	-	1,358,204
2007	183,320	383,918	-	-	-	1,358,204
2008	63,989	220,735	-	-	-	1,358,204

Thomas & Reed, LLC

Certified Public Accountants & Consultants

July 8, 2009

Indiana Political Subdivision Risk Management Commission
311 W. Washington Street
Indianapolis, Indiana 46204

In planning and performing our audit of the financial statements of Indiana Political Subdivision Risk Management Commission(IPSRMC) as of December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered IPSRMC's internal controls 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 the entity's internal controls. Accordingly, we do not express an opinion on the effectiveness of the entity's internal controls.

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 described below, we identified certain matters that we wish to communicate to you. Matters communicated in this letter are classified as follows:

- **Best Practices** - A matter which you may find of interest.
- **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.
- **Significant Deficiency** - A significant deficiency is a control deficiency, or a 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.
- **Material Weakness** - A material weakness is a significant deficiency, or a 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 controls.

During the period under review, there were no findings to be reported.

Sincerely,

Stephen A. Reed, CPA, MBA

Stephen A. Reed, CPA, MBA
Audit Member
Indianapolis, Indiana

"Our Client's Success Is Our Success"

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Office: 317-571-7600; Fax: 317-571-7601

Thomas & Reed, LLC
Certified Public Accountants & Consultants

July 8, 2009

Indiana Political Subdivision Risk Management Commission
311 W. Washington Street
Indianapolis, Indiana 46204

We have audited the financial statements Indiana Political Subdivision Risk Management Commission (IPSRMC) for the year ended December 31, 2008, and have issued our report thereon dated July 8, 2009. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 25, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepare by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the entrance meeting held on May 11, 2009.

Significant Audit Findings

Qualities Aspect of Accounting Practices

Management is 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. The significant accounting polices used by IPSRMC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing polices was not changed during fiscal year 2008. We noted no transactions entered into the general ledger by IPSRMC during the year for which there is a lack of authoritative guidance or consensus. There were accrual entries, Thomas & Reed, LLC, booked at calendar year end.

Accounting estimates are an integral of the financial statement 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 their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. See reserve language included in the audit report related to significant estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Correct and Uncorrected Misstatements

Professional standards to require us accumulate all known and likely misstatement identified during the audit, other those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatement detected as a result of audit procedures and corrected by management were material, ether individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purpose of this letter, professional standard define a disagreement with management as a financial accounting, reporting, 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 disagreement arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated, July 8, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountant about auditing and accounting matter, similar to obtaining a "second opinion" on certain situations. If a consultant involves application of an accounting principle to IPSRMC 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 relevant fact. To our knowledge, there were no such consultations with other accountants.

Other Audit findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the beginning of fieldwork. However, these discussions occurred in the normal course of our professional relationship.

This information is intended solely for the use of the Board of Directors and management of IPSRMC and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Stephen A. Reed, CPA, MBA

Stephen A. Reed, CPA, MBA
Audit Member
Indianapolis, Indiana