

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION (“BORMA”), INC.
PROPERTY AND LIABILITY INSURANCE DIVISION
HURON COUNTY, OHIO**

**FINANCIAL STATEMENT
(AUDITED)**

***FOR THE YEAR ENDED
December 31, 2009***

JODY WAGONER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Trustees
BORMA, Inc. - Property and Liability Insurance Division
c/o City of Williard
P.O. Box 367
Willard, Ohio 44890

We have reviewed the *Independent Auditor's Report* of the BORMA, Inc. - Property and Liability Insurance Division, Huron County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 BORMA, Inc. - Property and Liability Insurance Division is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 6, 2010

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**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION, INC.
PROPERTY AND LIABILITY INSURANCE DIVISION
HURON COUNTY, OHIO**

**FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Trustees
BORMA, Inc. - Property and Liability Insurance Division
c/o City of Willard
631 South Myrtle Avenue
Willard, Ohio 44890

To the Board of Trustees:

We have audited the accompanying statement of cash receipts, cash disbursements and changes in fund cash and investments balance of the Buckeye Ohio Risk Management Association ("BORMA"), Inc. - Property and Liability Insurance Division, Huron County, Ohio, as of and for the year ended December 31, 2009. This financial statement is the responsibility of BORMA, Inc. - Property and Liability Insurance Division's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Property and Liability Insurance Division of BORMA, Inc., and does not purport to, and does not, present fairly the fund cash and investments balance of BORMA, Inc., as of December 31, 2009, and its cash receipts and cash disbursements for the year then ended in conformity with the basis of accounting described in Note 2.

As described more fully in Note 2, BORMA, Inc. - Property and Liability Division has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Independent Auditor's Report
BORMA, Inc. - Property and Liability Insurance Division
Page Two

Revisions to GAAP would require BORMA, Inc. - Property and Liability Insurance Division to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2009. While BORMA, Inc. - Property and Liability Insurance Division does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require BORMA, Inc. - Property and Liability Insurance Division to reformat their statements. BORMA, Inc. - Property and Liability Insurance Division has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2009 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of BORMA, Inc. - Property and Liability Insurance Division for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and investments fund balance of BORMA, Inc. - Property and Liability Insurance Division, as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

BORMA, Inc. - Property and Liability Insurance Division has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

BORMA, Inc. - Property and Liability Insurance Division has not presented the required supplementary information on revenue and claims development that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2010, on our consideration of BORMA, Inc. - Property and Liability Insurance Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Julian & Grube, Inc.
June 29, 2010

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BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

Operating Receipts:	
Member Contributions	\$ 1,299,067
Total operating revenues	1,299,067
Operating Disbursements:	
Insurance Premiums for Coverages	703,036
Claims Paid	1,014,692
Professional Fees	10,241
Service Fees	1,711
Total operating expenses	1,729,680
Excess of Operating Disbursements over Operating Receipts	(430,613)
Nonoperating Receipts:	
Interest	4,144
Total Nonoperating Receipts	4,144
Change in Fund Cash Balance	(426,469)
Cash Balance at Beginning of year	1,186,724
Cash Balance, End of the year	\$ 760,255

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF THE ENTITY

The Buckeye Ohio Risk Management Agency (“BORMA”), Inc. is an Ohio not-for-profit corporation organized under Section 2744.081 of the Ohio Revised Code for the public purpose of enabling its six member political subdivisions to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the BORMA, Inc. - Property and Liability Insurance Division pool (the “Organization”) provides coverage for automobile liability, general liability, crime and property (including automobile physical damage), law enforcement liability, ambulance attendant’s liability, miscellaneous errors and omissions, property claims, and public official’s liability. In addition to the self-insurance pool, the Organization provides risk management services, loss prevention programs and various other educational materials. The members of the Organization include the following municipalities within the State of Ohio: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. The Organization does not have any financial accountability over entities as defined by GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units.”

BORMA, Inc. has, in addition to the property and liability insurance division, a health insurance division. Members do not have to be part of both divisions. The accounting records are maintained separately and, therefore, the accompanying financial statement has excluded the health insurance division.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING AND PRESENTATION

This financial statement is prepared using an other comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. Except for modifications having substantial support, receipts are recorded in the Organization’s financial records when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Organization are described in the appropriate section in this note. All transactions are accounted for in a single enterprise fund.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. CASH AND INVESTMENTS

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer’s investment pool) is valued at amounts reported by the State Treasurer. Securities subject to repurchase agreements are valued at cost.

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. MEMBER AND SUPPLEMENTAL CONTRIBUTIONS

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of the Organization and to create reserves for claims and unallocated loss adjustment expenses. Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Organization and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

D. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of cash receipts and disbursements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

E. LOSS RESERVE

Provisions for claims reserves and loss adjustment expenses (Note 6) are based on information reported by members and are calculated by the Organization's claims administrator. These amounts represent and estimate of reported unpaid claims, plus a provision for claims incurred and not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. The Organization's management believes that the claims reserve is reasonable in the circumstances; however, actual incurred losses may not conform to the assumptions inherent in the determination of the reserve. Accordingly, the ultimate settlement of losses may vary materially from the estimated amounts disclosed in Note 6. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

F. REINSURANCE

The Organization is a member of Public Entity Risk Consortium, a public entity risk-sharing pool which functions as a reinsurer for its member entities. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Organization as direct insurer of the risks reinsured. The Organization is contingently liable with respect to certain loss coverage which would become a liability in the event these insurance carriers are unable to meet obligations under these reinsurance contracts.

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - CASH AND INVESTMENTS

The carrying amount of the Organization's cash and investments at December 31, 2009 were as follows:

	<u>2009</u>
<u>Cash & Cash Equivalents:</u>	
Demand deposits	\$ 751,547
Investments:	
STAR Ohio	<u>8,708</u>
Total deposits and investments	<u>\$ 760,255</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009. The investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form.

NOTE 4 - SELF-INSURED RETENTION

The Organization retains responsibility of claims within specified self-insured retention limits prior to the application of coverage provided by excess reinsurance contracts. The Organization's per-occurrence retention limit is \$150,000 for all claims. The Organization is a member of the Public Entity Risk Consortium ("PERC") pool. Under PERC, member entities maintain their present retention structure and the present retention effectively becomes a maintenance deductible under PERC. PERC then self-insures a primary portion over individual member retentions up to \$250,000 per occurrence for property coverages and \$500,000 for liability coverages, both inclusive of the member's retention (e.g. for property coverage, PERC self-insures \$100,000 excess of the Organization's \$150,000 self-insured amount). PERC has a stop loss retention of \$1,650,000 per year, purchasing excess insurance coverage above its retention.

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 - EXCESS INSURANCE CONTRACTS

The Organization maintains excess insurance contracts with insurance carriers (including PERC) which provide various limits of coverage of the Organization's self-insured retention limits.

In the event that a series of losses or a single loss should exceed the aggregate amount of coverage provided by the self-insurance fund and the excess reinsurance, then the payment of any noncovered loss and any amount of supplementary payments for which the member is obligated is the obligation of the individual member or members against which the claim or claims were made.

NOTE 6 - LOSS RESERVE

As discussed in Note 2, the Organization's loss reserve (not recorded in the accompanying financial statement) includes both reported and unreported insured events and estimated future payments of losses and related loss adjustment expenses. The actuarially estimated loss reserve for the Organization as of December 31, 2009 was \$725,634. The amount available to pay claims at December 31, 2009 was \$760,255.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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*

Board of Trustees
BORMA, Inc. - Property and Liability Insurance Division
631 South Myrtle Avenue
Willard, Ohio 44890

To the Board of Trustees:

We have audited the financial statement of the Buckeye Ohio Risk Management Association (“BORMA”), Inc. - Property and Liability Insurance Division, Huron County, Ohio, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 29, 2010, wherein we noted that BORMA, Inc. - Property and Liability Insurance Division followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. Our report also noted that the financial statement presents only the Property and Liability Insurance Division of BORMA, Inc., and does not purport, and does not, present fairly the fund cash and investments balance of BORMA, Inc., as of December 31, 2009, and its cash receipts and disbursements for the year then ended. 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 the Comptroller General of the United States’ *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BORMA, Inc. - Property and Liability Insurance Division’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of opining on the effectiveness of BORMA, Inc. - Property and Liability Insurance Division’s internal control over financial reporting. Accordingly, we have not opined on the effectiveness of BORMA, Inc. - Property and Liability Insurance Division’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of BORMA, Inc. - Property and Liability Insurance Division’s financial statement will not be prevented, or detected and timely corrected.

Board of Trustees
BORMA, Inc. - Property and Liability Insurance Division

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

Compliance and Other Matters

As part of reasonably assuring whether BORMA, Inc. - Property and Liability Insurance Division's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Trustees, and members of BORMA, Inc. - Property and Liability Insurance Division. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
June 29, 2010



Mary Taylor, CPA
Auditor of State

BORMA INC.-PROPERTY & LIABILITY INSURANCE DIVISION
HURON 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
AUGUST 19, 2010