

**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC.  
BENEFITS POOL**

**FINANCIAL STATEMENTS  
For the year ended December 31, 2009**







# Dave Yost • Auditor of State

Board of Trustees  
Buckeye Ohio Risk Management Agency, Inc. - Benefits Pool  
631 Perry Street  
Defiance, Ohio 43512

We have reviewed the *Independent Auditors' Report* of the Buckeye Ohio Risk Management Agency, Inc. - Benefits Pool, Erie County, prepared by Payne, Nickles & Company, 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.

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 Buckeye Ohio Risk Management Agency, Inc. - Benefits Pool is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 8, 2011

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**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL**

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# Payne Nickles & Company

Certified Public Accountants and Business Advisors

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Buckeye Ohio Risk Management Agency, Inc.

We have audited the accompanying statement of net assets of Buckeye Ohio Risk Management Agency, Inc. – Benefits Pool (BORMA), Ohio as of December 31, 2009, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of BORMA'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Buckeye Ohio Risk Management Agency, Inc. – Benefits Pool as of December 31, 2009, and the statement of activity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements were prepared to represent the employee benefits activity of BORMA and are not intended to be a complete presentation of BORMA's activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011, on our consideration of BORMA'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and claims development information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Sandusky, Ohio  
June 24, 2011

*Payne, Nickles & Company*

- 1 -

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## BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

For the fiscal year ended December 31, 2009

The discussion and analysis of the Buckeye Ohio Risk Management Agency, Inc.'s Benefits Pool (Agency) performance provides an overview of the Agency's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole.

#### HIGHLIGHTS

The Agency's net assets decreased \$916,191. Total assets decreased by \$157,138 and the total liabilities increased by \$759,053.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Agency's financial position.

The Statement of Financial Position and the Statement of Activity provide information about the activity of the Agency as a whole.

#### DESCRIPTION OF FINANCIAL STATEMENTS

The Statement of Financial Position and Statement of Activity reflect how the Agency performed financially during 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report the Agency's net assets and changes in net assets. This change in net assets is important because it tells the reader whether the financial position of the Agency has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not.

#### BUDGETARY HIGHLIGHTS

The Agency does not draft or approve a budget in the tradition of most government agencies. The Board's consultant reviews the Agency's prior claims history and helps the agency set billing rates for its members for the following year. This process is completed in October of each year. If the rates are set too high, and/or the claims are overestimated, the Agency will have an increase in net assets. If the rates are set too low, and/or the claims are underestimated, the Agency will have a decrease in net assets.





## BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

For the fiscal year ended December 31, 2009

#### FINANCIAL ANALYSIS

<b>Net Assets</b>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 5,519,419	\$ 5,676,557
Current and other liabilities	<u>3,116,191</u>	<u>2,357,138</u>
Unrestricted net assets	<u>\$ 2,403,228</u>	<u>\$ 3,319,419</u>
<b>Change in Net Assets</b>		
Revenues		
Membership contributions	\$16,203,482	\$14,723,834
Rebates	242,824	290,131
Interest income	26,548	107,262
Other revenues	<u>139,559</u>	<u>68,248</u>
Total revenues	<u>16,612,413</u>	<u>15,189,475</u>
Program expenses		
Claim expenses	16,571,435	12,319,745
Insurance premiums	934,381	889,370
Other	<u>22,788</u>	<u>24,735</u>
Total expenses	<u>17,528,604</u>	<u>13,233,850</u>
Change in net assets	<u>\$( 916,191)</u>	<u>\$ 1,955,625</u>

As previously noted, total assets decreased by \$157,138 or 2.77 in 2009. On the liability side, total liabilities increased by \$759,053 or 32.20% in 2009. Total revenues were up \$1,422,938 due to an increase in claim recoveries and membership contributions. Total expenses were up \$4,294,754 in total. This is the result of an increase in claims expenses. Ending net assets were \$2,403,228 in 2009 compared to \$3,319,419 in 2008. A decrease in net assets of \$916,191 had a negative impact on the financial condition of the Agency. Per the Reserve Calculation conducted by MKC Benefit Consultants, LTD., the amounts held in reserve exceeded the calculated reserve required.

#### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those interested in the Agency's well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to John W. Lehner, Finance Director, 631 Perry Street, Defiance, Ohio 43512.



BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL

Statement of Net Assets  
December 31, 2009

**Assets**

Cash and investments	\$ 4,876,508
Accounts receivable	13,567
Other receivables	111,798
Reinsurance receivable	483,432
Prepaid expense	<u>34,114</u>
Total assets	<u>\$ 5,519,419</u>

**Liabilities**

Accounts payable	\$ 213,829
Loss reserves	<u>2,902,362</u>
Total liabilities	3,116,191

**Net assets**

Net assets - unrestricted	<u>2,403,228</u>
Total liabilities and net assets	<u>\$ 5,519,419</u>

The accompanying notes are an integral part of this financial statement.



BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL

Statement of Activity  
For the year ended December 31, 2009

**Operating revenues**

Membership contributions	\$	16,203,482
Rebates		242,824
Other operating revenues		<u>139,559</u>
Total operating revenues		16,585,865

**Operating expenses**

Insurance premium for coverage		934,381
Claims expenses		16,571,435
Other operating expenses		<u>22,788</u>
Total operating expenses		<u>17,528,604</u>

Operating income (loss) (942,739)

Nonoperating revenues

Interest revenue 26,548

Change in net assets (916,191)

Net assets, beginning of year 3,319,419

**Net assets, end of year** \$ 2,403,228

The accompanying notes are an integral part of this financial statement.



BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL

Statement of Cash Flows  
For the year ended December 31, 2009

Cash flows from operating activities

Cash received from provider refunds	\$ 121,359
Cash received from member contributions	16,658,185
Cash received from claim deductible recoveries	988,561
Cash received from rebates	222,528
Cash received from COBRA participants	18,200
Cash payments on claims	(16,927,424)
Cash payments on claim administration	(352,132)
Cash payments for insurance premiums	(934,381)
Cash payments for other expenses	<u>(23,288)</u>

Net cash used by operating activities (228,392)

Cash flows from investing activities

Cash received from interest income 26,548

Net cash provided by investing activities 26,548

Net decrease in cash and cash equivalents (201,844)

Cash balance, beginning of year 5,078,352

Cash balance, end of year \$ 4,876,508

Reconciliation of operating income to net cash provided by operating activities

Operating loss \$ (942,739)

Adjustments to reconcile operating income to net cash provided by operating activities

Changes in assets and liabilities:

Decrease in other receivables	(20,296)
Increase in reinsurance receivables	(444,999)
Decrease in member contribution receivable	454,703
Increase in prepaid expense	(34,114)
Increase in accounts payable	172,727
Increase in loss reserves	<u>586,326</u>

Net cash provided by operating activities \$ (228,392)

The accompanying notes are an integral part of this financial statement.



## BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

#### NOTE 1 - FINANCIAL REPORTING ENTITY

Buckeye Ohio Risk Management Agency, Inc. - Benefits Pool (BORMA) is a not-for-profit, self-insurance pool created under Chapter 2744.081 of the Ohio Revised Code. BORMA's public purpose is to enable its members (political subdivisions) to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Benefits Pool provides health benefits to employees of its members. In addition to the self-insurance pool, BORMA provides risk management services. The members of BORMA include the following municipalities within the State of Ohio: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Oregon, Sandusky, Upper Sandusky and Willard.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Measurement Focus and Basis of Presentation

BORMA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards Board (GASB) Statement Nos. 10, 29, 30, 34 and 40, and GASB Interpretation No. 4.

GASB Statement Nos. 10 and 30 provide accounting and reporting standards that apply to public entity risk pools, and require public entity risk pools to account for their activities using proprietary fund accounting. Proprietary activities are accounted for using the economic resources measurement focus and the accrual basis of accounting.

GASB Statement No. 29 allows proprietary entities to apply all Financial Accounting Standards Board statements and interpretations, excluding those limited to not-for-profit organizations, issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

##### B. Member and Supplemental Contributions

Member contributions are calculated annually to produce a sum of money within the self-insurance pool adequate to fund administrative expenses and to establish adequate 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 Association 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.



**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Monies held by the Pool are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Pool. Active monies must be maintained as cash or bank deposits subject to the Federal Deposit Insurance Corporation limit, U.S. Treasury obligations with maturities of one year or less from initial offering, U.S. Government agency or instrumentality paper with a maturity of one year or less, the Ohio State Treasurer's Asset Reserve Fund (STAROhio) and loans with an agreement for the collateral to be repurchased by the borrower with a maturity not to exceed thirty days. Volatility of principal is not permitted. Financial risk is not acceptable, and because of the short investment time horizon of the funds, exposure to interest rate risk and purchasing power risk will be minimal.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the same securities as the active monies except maturities may be extended to two years provided the average weighted maturity does not exceed one year. Volatility of principal is not tolerated. The funds will be invested in nonvolatile, liquid investments to ensure payment for projects when due. Moderated income volatility is permitted. Financial risk is unacceptable, and because the investment time horizon of the fund is relatively short, exposure to interest rate risk and purchasing power risk will be minimal.

Inactive deposits are reserve funds for runoff claims after the dissolution of the benefits pool. Inactive deposits may be deposited or invested in the same securities as the interim monies except maturities may not exceed five years, provided the average weighted maturity does not exceed two years. Minimum volatility of principal may be tolerated in order to obtain additional income. Financial risk is unacceptable, and interest rate risk and purchasing power risk will be minimal.

Investments are reported at fair value. BORMA has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be sold.

BORMA considers cash and investments, both of which are short-term in nature, as cash in preparing the statement of cash flows.



**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Reinsurance Receivables

Amounts recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses are reported as reinsurance receivables and as reductions of claims expenses.

E. Prepaid Premiums

Member contributions paid in advance represent revenues of future periods and therefore are recorded as prepaid premiums on the Statement of Net Assets.

F. Administrative Expenses

Administrative expenses reported on the Statement of Activities primarily consist of costs associated with the processing of claims payments and the purchase of loss control services. These expenses are reported under the claims expenses line item.

G. Claims Expenses

Claims Expenses include paid and unpaid claims and expenses associated with settling claims. The Loss Reserves liability is based on an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the ultimate cost of settling the claims. Due to uncertainties inherent in the estimates and assumptions process, it is at least reasonable possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

H. Premium Deficiencies

Each year, in accordance with GASB Statement No. 10, BORMA determines whether or not a premium deficiency exists by calculating the difference between future contract revenues and future contract expenses. In the event future premiums are less than the sum of expected claims costs (including IBNR claims) and expected claim adjustment expenses, a premium deficiency loss or expense is recognized. BORMA does not take into consideration estimated investment income when determining if premium deficiencies exist.

I. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.



**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Subsequent Events

Management has evaluated subsequent events through June 24, 2011, the date that the financial statements were available to be issued.

NOTE 3 - DEPOSITS AND INVESTMENTS

BORMA follows the guidance of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement's required disclosures are as follows:

Deposits - At fiscal year-end, the carrying amount of BORMA's deposits was \$4,485,671 and the bank balance was \$4,558,129. Of the bank balance, \$500,000 was covered by federal depository insurance.

Investments - At year end, the fair value of investments treated as cash were as follows:

STAROhio	<u>\$ 390,837</u>
	<u>\$ 390,837</u>

Custodial credit risk - Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, BORMA will be unable to recover the value of deposits, investments, or collateral securities in possession of an outside party. At December 31, 2009, BORMA's deposits and investments had no exposure to custodial credit risk. BORMA does not have a policy to limit custodial credit risk.

Credit Risk - Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. BORMA does not have a policy to limit credit risk. STAROhio has a quality rating of AAA while the money market funds are unrated.

Concentration of Credit Risk - Concentration of credit risk is the risk of inability to recover the value of deposits or investments in the possession of an outside party caused by a lack of diversification. BORMA does not have a policy to limit concentration of credit risk.

Interest Rate Risk - Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. BORMA does not have a policy to limit interest rate risk. At fiscal year-end, all investments had a maturity of less than one year.





**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

NOTE 4 - REINSURANCE CEDED

BORMA reinsures certain risks with Intermediary Insurance Services to limit its losses for large aggregate and individual losses. The plan year is January 1 through December 31. Reinsurance premiums ceded during the fiscal year totaled \$934,381.

NOTE 5 - RESERVE FOR CLAIMS LOSSES

BORMA, under its terms of membership, shall establish reserves for claims and unallocated loss adjustment expenses. In 2009, the Loss Reserve increased \$586,326 to \$2,902,362.

Changes in BORMA's reserve for claims losses amount for the two previous years are as follows:

<u>Year</u>	<u>Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance</u>
2008	\$2,333,541	\$12,147,822	\$12,165,327	\$2,316,036
2009	2,316,036	17,513,750	16,927,424	2,902,362



REQUIRED SUPPLEMENTAL INFORMATION



**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL**  
**CLAIMS DEVELOPMENT INFORMATION**

For the year ended

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Premiums and investment revenue									
Earned	\$ 8,958,770	\$ 10,374,580	\$ 10,397,524	\$ 10,961,036	\$ 14,360,216	\$ 15,777,814	\$ 16,749,586	\$ 15,121,227	\$ 16,415,469
Ceded	(567,630)	(594,892)	(719,096)	(711,066)	(861,721)	(874,464)	(756,384)	(861,021)	(812,938)
Net earned	8,391,140	9,779,688	9,678,428	10,249,970	13,498,495	14,903,350	15,993,202	14,260,206	15,602,531
Unallocated expenses	21,990	48,838	51,564	14,310	28,219	20,918	25,464	24,735	23,288
Estimated losses and expenses, end of policy year:									
Incurred	7,612,439	9,543,745	10,624,475	9,806,067	13,747,479	17,144,011	13,408,351	13,919,268	18,141,852
Ceded	(487,865)	(71,571)	(570,815)	(115,035)	(359,005)	(1,211,908)	(260,049)	(223,783)	(1,554,919)
Net incurred	7,124,574	9,472,174	10,053,660	9,691,032	13,388,474	15,932,103	13,148,302	13,695,485	16,586,933
Net paid claims and administrative expenses (cumulative) as of:									
End of year	5,620,908	7,017,360	8,939,826	9,069,706	12,158,041	12,989,154	10,814,761	11,379,449	15,189,034
One year later	6,790,758	8,919,766	10,176,907	10,148,239	15,459,615	14,114,235	11,909,557	12,666,608	
Two years later	6,806,273	8,928,845	10,228,722	10,148,359	15,473,942	14,117,219	11,930,569		
Three years later	6,798,311	8,928,845	10,228,722	10,148,359	15,473,942	14,117,219			
Four years later	6,798,311	8,928,845	10,228,722	10,148,359	15,473,942				
Five years later	6,798,311	8,928,845	10,228,722	10,148,359					
Six years later	6,798,311	8,928,845	10,228,722						
Seven years later	6,798,311	8,928,845							
Eight years later	6,798,311								
Reestimated ceded losses and expenses	(487,885)	(71,571)	(570,815)	(115,035)	(359,005)	(1,211,908)	(260,049)	(223,783)	(1,554,919)
Reestimated incurred claims and expenses	7,124,554	9,472,174	10,053,660	9,691,032	13,388,474	15,932,103	13,148,302	13,695,485	16,586,933
End of year	7,124,554	9,472,174	10,053,660	9,691,032	15,459,615	14,114,235	11,909,557	12,666,608	
One year later	7,124,554	9,472,174	10,053,660	10,148,359	15,473,942	14,117,219	11,930,569		
Two years later	7,124,554	9,472,174	10,053,660	10,148,359	15,473,942	14,117,219			
Three years later	7,124,554	9,472,174	10,053,660	10,148,359	15,473,942				
Four years later	7,124,554	9,472,174	10,053,660	10,148,359	15,473,942				
Five years later	6,798,311	8,928,845	10,228,722	10,148,359	15,473,942				
Six years later	6,798,311	8,928,845	10,228,722	10,148,359					
Seven years later	6,798,311	8,928,845	10,228,722						
Eight years later	6,798,311								
Increase in estimated net incurred claims and expenses from end of policy year	(326,243)	(543,329)	175,062	457,327	2,085,468	(1,814,884)	(1,217,733)	(1,028,877)	

Information prior to fiscal year 2001 is not available.



**Payne Nickles & Company**

Certified Public Accountants and Business Advisors

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 Trustees of  
Buckeye Ohio Risk Management Agency, Inc.

We have audited the financial statements of **Buckeye Ohio Risk Management Agency, Inc. – Benefits Pool (BORMA)** as of and for the year ended December 31, 2009, and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the **BORMA's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BORMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BORMA'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, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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Fax: (419) 625-7120

### Compliance and Other Matters

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

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

*Payne, Nickles & Company*

Sandusky, Ohio  
June 24, 2011







# Dave Yost • Auditor of State

**BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. – BENEFITS POOL (BORMA)**

**ERIE 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  
JULY 21, 2011**