

**BORMA, INC.
WOOD COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2023**

Zupka & Associates
Certified Public Accountants



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Trustees
BORMA, Inc.
304 North Church Street
Bowling Green, Ohio 43402

We have reviewed the *Independent Auditor's Report* of the BORMA, Inc., Wood County, prepared by Zupka & Associates, for the audit period December 1, 2022 through November 30, 2023. 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 BORMA, Inc. is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

June 07, 2024

This page intentionally left blank.

BORMA, INC.
WOOD COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountant’s Report	1-3
Management’s Discussion and Analysis	5-6
Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10-14
Required Supplementary Information – Claim Development Information	15
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 <i>Government Auditing Standards</i>	16-17
Schedule of Prior Audit Findings and Recommendations	18

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

BORMA, Inc.
Wood County
304 North Church Street
Bowling Green, OH 43402

To the Members of the Board of Trustees:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of BORMA, Inc. (BORMA), Wood County, Ohio as of and for the fiscal year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise BORMA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BORMA, Inc., Wood County, Ohio as of November 30, 2023, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 BORMA, 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 BORMA'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.

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

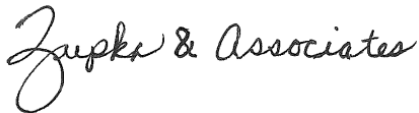
- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 BORMA'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 BORMA's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Claim Development Information, as listed 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 May 29, 2024, 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 grants 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 BORMA'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 BORMA's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

May 29, 2024

This page intentionally left blank.

BORMA, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023

The discussion and analysis of the BORMA, Inc. financial statements provides an overall review of BORMA, Inc.'s financial activities for the fiscal year ended November 30, 2023. The intent of this discussion and analysis is to look at BORMA, Inc.'s financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of BORMA, Inc.'s financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2023 are as follows:

- BORMA, Inc.'s net financial position at November 30, 2023 was \$944,718.
- BORMA, Inc. has hired an independent actuary, The Actuarial Advantage, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves was \$115,289 at November 30, 2023 compared to \$110,491 at November 30, 2022.
- BORMA, Inc. had operating revenues from its members of \$640,289 and operating expenses of \$602,115 for the fiscal year. In addition, BORMA, Inc. had \$10,047 in claim reimbursements and \$11,269 in interest income. The net income and increase in the net position was \$22,382 for the fiscal year.

Reporting of Financial Activities

The table below provides a summary of BORMA, Inc.'s net position for November 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,060,007	\$ 981,347
Account receivable	<u>-</u>	<u>51,480</u>
Total Assets	<u>\$ 1,060,007</u>	<u>\$ 1,032,827</u>
Liabilities and Net Position		
Reserve for unpaid claims	\$ 115,289	\$ 110,491
Net Position	<u>944,718</u>	<u>922,336</u>
Total Liabilities and Net Position	<u>\$ 1,060,007</u>	<u>\$ 1,032,827</u>

The total assets increased by \$27,180 or 2.6%. The loss reserve amount increased by \$4,798, or 4.3%. Both of these factors resulted in the increase in net position of \$22,382, or 2.4%.

BORMA, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023

Reporting of Financial Activities

The table below shows the changes in net position for the fiscal years ending November 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
<u>Revenues</u>		
Member income	\$ 640,289	\$ 590,387
Return of member income	(37,108)	(44,057)
Claim recoveries	10,047	31,081
Interest income	11,269	127
Provider refunds	-	51,480
Total Revenues	<u>624,497</u>	<u>629,018</u>
<u>Expenses</u>		
Insurance expense	505,787	472,527
Claims expense	81,872	37,063
Other expenses	<u>14,456</u>	<u>14,257</u>
Total Expenses	<u>602,115</u>	<u>523,847</u>
Changes in net position	22,382	105,171
Net Position - beginning of year	<u>922,336</u>	<u>817,165</u>
Net Position - end of year	<u>\$ 944,718</u>	<u>\$ 922,336</u>

The member income increased by \$49,902, or 8.5%. The claim recoveries decreased by \$21,034, or 67.7%. The claim expenses increased by \$44,808 or 120.9%.

The actual claims expenses are not predictable by the Pool and may vary significantly from actuarial loss projections in any given year. Included in this expense are the actual claims paid during the year plus the change in the Reserve for Unpaid Claims. Note 7 of the financial statements illustrates this calculation.

Financial Management

This financial report is designed to provide interested users and our membership with a general overview of BORMA, Inc.'s finances and to show BORMA, Inc.'s accountability for the money it receives. If you have questions about this report or need additional information contact Dana Pinkert, Finance Director, 305 North Main Street, Bowling Green, Ohio 43402.

BORMA, INC.

Statement of Net Position
As of November 30, 2023

<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 1,060,007</u>
<u>TOTAL ASSETS</u>	<u>1,060,007</u>
<u>LIABILITIES</u>	
Reserve for Unpaid Claims	<u>115,289</u>
<u>TOTAL LIABILITIES</u>	<u>115,289</u>
<u>NET POSITION - Unrestricted</u>	<u><u>\$ 944,718</u></u>

See accompanying notes to the Basic Financial Statements

BORMA, INC.

Statement of Revenues, Expenses and Changes in Net Position For the fiscal year ended November 30, 2023

<u>OPERATING REVENUES</u>	
Membership Contributions	\$ 640,289
Claim Recoveries	10,047
	<hr/>
<u>TOTAL OPERATING REVENUES</u>	650,336
	<hr/>
<u>OPERATING EXPENSES</u>	
Claims Expense	81,872
Insurance Premiums for Coverage	505,787
Professional Fees	14,423
Other Expenses	33
	<hr/>
<u>TOTAL OPERATING EXPENSES</u>	602,115
	<hr/>
<u>OPERATING INCOME</u>	48,221
	<hr/>
<u>NON-OPERATING REVENUES & EXPENSES</u>	
Interest Revenue	11,269
Return of Member Income	(37,108)
	<hr/>
<u>TOTAL NON-OPERATING REVENUES & EXPENSES</u>	(25,839)
	<hr/>
<u>CHANGE IN NET POSITION</u>	22,382
	<hr/>
NET POSITION - Beginning of Year	922,336
	<hr/>
<u>NET POSITION - End of Year</u>	\$ 944,718
	<hr/> <hr/>

See accompanying notes to the Basic Financial Statements

BORMA, INC.

Statement of Cash Flows For the fiscal year ended November 30, 2023

<u>Cash Flows From Operating Activities</u>	
Cash received for premiums	\$ 640,289
Cash received from claim recoveries	10,047
Cash paid for claims	(77,074)
Cash payments to vendors for services and goods	(14,456)
Cash paid for premiums	(505,787)
	<hr/>
Net cash provided by (used in) operating activities	53,019
	<hr/>
<u>Cash Flows From Investing Activities</u>	
Cash received from interest income	11,269
	<hr/>
<u>Cash Flows From Non-Capital Financial Activities</u>	
Cash received from provider	51,480
Dividends used to pay member premiums	(37,108)
	<hr/>
Net cash provided by non-capital financial activities	14,372
	<hr/>
<u>Net Increase in Cash and Cash Equivalents</u>	78,660
	<hr/>
Cash and Cash Equivalents - beginning of year	981,347
	<hr/>
<u>Cash and Cash Equivalents - end of year</u>	\$ 1,060,007
	<hr/> <hr/>
<u>Reconciliation of changes in operating income to net Cash Flows from operating activities:</u>	
Operating income	\$ 48,221
Changes in assets and liabilities:	
Increase/(Decrease) in reserve for unpaid claims	4,798
	<hr/>
<u>Net Cash Provided by (used in) Operating Activities</u>	\$ 53,019
	<hr/> <hr/>

See accompanying notes to the Basic Financial Statements

BORMA, INC

NOTES TO BASIC FINANCIAL STATEMENTS NOVEMBER 30, 2023

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

BORMA, Inc is a joint self-insurance pool organized under Section 2744.081 of the Ohio Revised Code for the public purpose of enabling its member political subdivisions to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, BORMA provides coverage for automobile liability, general liability, crime and property (including automobile physical damage), law enforcement liability, ambulance attendant's liability, miscellaneous error 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 Pool include the following municipalities within the State of Ohio: Bowling Green and Defiance. 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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and No. 34*.

Funding for the Pool's losses and loss expenses is accomplished via periodic budgeted contributions to the Pool by the Pool's members. Each member's premiums will be determined by multiplying their contribution factor by the total funding requirement determined by the Board. In addition to determining the total funding requirement for the Pool, the Board of Directors (the "Board") will review each member's contribution factor every year. A member's contribution factor is based upon the size of the member and their claim history. If the assets of the Pool were determined to be insufficient by the Board, they have the right to call for supplemental premiums.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - These financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP), provided that they do not conflict or contradict statements issued by the Government Accounting Standards Board (GASB). GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* as amended by GASB Statement No. 30, *Risk Financing Omnibus* and GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* provides standards for accounting and reporting that apply to public entity risk pools.

All transactions are accounted for in a single enterprise fund. Therefore, revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and Cash Equivalents - For cash flow purposes, BORMA, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at November 30, 2023 consist of funds or deposits in banks and money market funds.

Investments - Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recognized in the statement of revenues, expenses and changes in net position as a component of non-operating revenues or expenses.

BORMA, Inc. invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. BORMA, Inc. measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

BORMA, INC

NOTES TO BASIC FINANCIAL STATEMENTS NOVEMBER 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued) -

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$250 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 BORMA, Inc. 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 may be assessed during the entire life of BORMA, Inc. 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reserve for Unpaid Claims - Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by BORMA, Inc's actuary. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred, but not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. BORMA, Inc's management believes that the claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses, may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary materially from the estimated amounts disclosed in Note 7. Should the provision for claims reserves not be sufficient, supplemental contributions will be assessed.

Net Position - Net position represents the excess of revenues over expenses since its inception.

As of November 30, 2023, BORMA, Inc. does not have any "restricted" net position. BORMA, Inc. Board of Trustees may authorize the distribution of the net position to those members who constituted the self-insurance pool during the years when such net position was earned, provided that such members must also be members of BORMA, Inc. in the years in which said distribution was made.

In the event of dissolution of BORMA, Inc., any funds which remain unencumbered after all claims and all other BORMA, Inc. obligations have been paid shall be distributed to members in proportion to their interest in the surplus funds. Members that withdraw from BORMA, Inc. are obligated for any supplementary payments at the members's pool contribution factor in effect for the specific years to which the supplementary payments apply.

BORMA, Inc. applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

BORMA, INC

NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary action of the association. For BORMA, Inc., these are member premiums from the associated entities and excess insurance recoveries. Operating expenses are necessary costs that have been incurred in order to support BORMA, Inc.'s primary mission. Revenues and expenses not meeting the definition are reported as nonoperating.

Reinsurance - BORMA, Inc. collectively represented its members within 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 Pool as direct insurer of the risks reinsured. BORMA, Inc. 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.

Subsequent Events - Management has evaluated subsequent events and transactions occurring subsequent to the statement of net position for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued, and has determined there were no material subsequent events or transactions.

Income Taxes - BORMA is not subject to income taxes and the filing of tax returns since its members are political subdivisions in the State of Ohio.

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, Inc.'s deposits was \$219,266 and the bank balance was \$228,109. \$228,109 of the bank balance was covered by federal depository insurance.

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

STAR Ohio \$840,741

Reconciliation of Cash and Investments to the Statement of Net Position -

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of November 30, 2023:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 219,266
Investments	840,741
Total	<u>\$1,060,007</u>
 <u>Cash and investments on Statement of Net Position</u>	
Cash and cash equivalents	\$ <u>1,060,007</u>

BORMA, INC

NOTES TO BASIC FINANCIAL STATEMENTS NOVEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the Pool will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the Pool's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the Pool and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be at least 102 percent of the deposits being secured or a rate set by the Treasurer of State. The Pool's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

Credit Risk - Credit risk is the risk that an issuer or counter party to an investment will be unable to fulfill its obligations. OHAPCI does not have a policy to limit credit risk beyond the requirements of State statute.

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. OHAPCI 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. OHAPCI does not have a policy to limit interest rate risk.

NOTE 4 - SELF-INSURED RETENTION

BORMA, Inc. retains responsibility of claims within specified self-insured retention limits prior to the application of coverage provided by excess reinsurance contracts. BORMA, Inc.'s per occurrence retention limit is \$25,000 for all claims. BORMA, Inc. collectively represents its members as members within 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-insure \$225,000 in excess of BORMA, Inc.'s \$25,000 self-insured amount). PERC has a stop loss retention of \$1,750,000 per year, purchasing excess insurance coverage above its retention.

BORMA, INC

NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2023

NOTE 5 - ADMINISTRATIVE FEES

BORMA has contracted with Arthur J. Gallagher & Co. to provide various management, underwriting, claim adjustments and loss control services.

NOTE 6 - RISK MANAGEMENT

BORMA has contracted with a third-party administrator, Arthur J. Gallagher Risk Management Services, Inc. to provide management services. BORMA has also contracted with Gallagher Basset Services, Inc. to process all claims against the members.

The members contribute annual premiums into the self-insurance risk pool fund of the Pool. The Board of Directors approves payments to the third-party administrator for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Pool members, except to the extent discretionary authority is granted to Gallagher Basset for payment of claims. The Pool may extend an assessment to each member if additional funding is needed to cover expenses.

Members that withdraw from the Pool are obligated for any supplementary payments at the member's pool contribution factor in effect for the specific years to which the supplementary payments apply.

NOTE 7 - CLAIMS RESERVE

As discussed in Note 2, BORMA, Inc.'s loss reserve includes both reported and unreported insured events and estimated future payments of losses and related loss adjustment disbursements. The schedule below presents the changes in claims liabilities during the fiscal year ended November 30, 2023.

<u>UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES</u>	
– November 30, 2022	<u>\$110,491</u>
Incurred Claims and Claim Adjustment Expenses:	
Provision for insured events of the current period	94,919
Increase/(Decrease) in provision for insured events of prior years	<u>(25,920)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>68,999</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current period	(13,098)
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(51,103)</u>
Total Payments	<u>(64,201)</u>
<u>TOTAL UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES</u>	
– November 30, 2023	<u>\$115,289</u>

BORMA, Inc.

**Required Supplementary Information
Claim Development Information**

For the Fiscal Year Ended November 30,

	<u>2014</u>	<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>
Premiums and other income	\$ 428,648	\$ 700,583	\$ 626,313	\$ 760,885	\$ 520,648	\$ 518,832	\$ 552,081	\$ 594,061	\$ 621,595	\$ 624,497
Unallocated expenses	96,824	432,014	432,016	417,277	400,608	391,786	420,654	457,372	486,784	520,243
Estimated losses incurred and expense, end of year	88,862	100,502	89,384	10,065	47,989	100,441	143,079	13,132	37,063	81,872
Reestimated incurred claims										
end of year	95,510	84,698	65,959	70,476	121,362	130,781	124,538	84,417	93,386	94,919
one year later	90,418	108,460	55,445	55,682	109,229	123,505	73,965	46,098	101,976	
two years later	73,137	81,355	16,889	52,926	83,087	82,503	51,708	16,743		
three years later	58,121	69,701	7,240	52,295	74,045	81,640	48,386			
four years later	53,784	64,492	7,032	50,269	73,623	80,521				
five years later	51,125	64,233	6,309	50,000	72,909					
six years later	51,125	64,233	6,309	50,000						
seven years later	51,125	64,233	6,309							
eight years later	51,125	64,233								
nine years later	51,125									
Paid (cumulative) as of:										
end of year	16,561	38,592	4,148	0	21,591	37,559	47,365	16,473	15,566	13,098
one year later	41,561	64,233	6,257	25,000	71,784	46,548	47,365	20,035	74,033	
two years later	51,125	64,233	6,309	46,555	72,909	80,090	47,365	12,671		
three years later	51,125	64,233	6,309	50,000	72,909	80,090	47,365			
four years later	51,125	64,233	6,309	50,000	72,909	80,090				
five years later	51,125	64,233	6,309	50,000	72,909					
six years later	51,125	64,233	6,309	50,000						
seven years later	51,125	64,233	6,309							
eight years later	51,125	64,233								
nine years later	51,125									

Notes

1. Reestimated incurred claims and expense shows the latest estimate of claim losses for the policy year.
2. Losses in excess of Pool retention are not included as these are separately insured.
3. Estimated incurred claims and expense include actuary's original estimate of claims.

**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***

BORMA, Inc.
Wood County
304 North Church Street
Bowling Green, OH 43402

To the Members of the Board of Trustees:

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 BORMA, Inc. (BORMA), Wood County, Ohio as of and for the fiscal year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise BORMA's basic financial statements and have issued our report thereon dated May 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BORMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BORMA's internal control. Accordingly, we do not express an opinion on the effectiveness of BORMA'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 BORMA'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BORMA'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*.

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 BORMA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BORMA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zupka & Associates
Certified Public Accountants

May 29, 2024

BORMA, INC.
WOOD COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023

The prior audit report, for the fiscal year ended November 30, 2022, reported no audit findings or management letter recommendations.

OHIO AUDITOR OF STATE KEITH FABER



BORMA, INC.

WOOD 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 6/20/2024

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