

**CENTRAL OHIO RISK MANAGEMENT
ASSOCIATION (“CORMA”) SELF-INSURANCE POOL, INC.**

FRANKLIN COUNTY, OHIO

BASIC FINANCIAL STATEMENTS

***FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011***

DEBRA MILLER, TREASURER



Dave Yost • Auditor of State

Board of Trustees
Central Ohio Risk Management Association Self-Insurance Pool, Inc.
c/o City of Powell
47 Hall Street
Powell, Ohio 43065

We have reviewed the *Independent Accountants' Report* of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, prepared by Julian & Grube, Inc., for the audit period October 1, 2010 through September 30, 2011. 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 Central Ohio Risk Management Association Self-Insurance Pool, Inc. is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 18, 2012

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**CENTRAL OHIO RISK MANAGEMENT ASSOCIATION
("CORMA") SELF-INSURANCE POOL, INC.**

FRANKLIN COUNTY, OHIO

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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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 Accountants' Report

Central Ohio Risk Management Association Self-Insurance Pool, Inc.
c/o City of Powell
47 Hall Street
Powell, Ohio 43065

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, Ohio, as of and for the fiscal year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Central Ohio Risk Management Association Self-Insurance Pool'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 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Ohio Risk Management Association Self-Insurance Pool, as of September 30, 2011, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, on our consideration of the Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Independent Accountants' Report
Central Ohio Risk Management Association Self-Insurance Pool, Inc.
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* on pages 3 - 7 and *Ten-year loss development information* on pages 21 - 23 to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
February 28, 2012

CORMA SELF-INSURANCE POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

The management's discussion and analysis of the Central Ohio Risk Management Association (CORMA) Self-Insurance Pool, Inc.'s (the "Association") financial performance provides an overall review of the Association's financial activities for the fiscal year ended September 30, 2011. The intent of this discussion and analysis is to look at the Association'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 the Association's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The Association's net assets at September 30, 2011 were \$1,217,427. This represents an increase of \$124,174, or 11.36% from September 30, 2010.
- The Association has hired an independent actuary, Financial Risk Analysts, LLC, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves was \$801,537 at September 30, 2011, compared to \$787,422 at September 30, 2010.
- The Association had operating revenues of \$1,303,440 and operating expenses of \$1,192,845 for fiscal year 2011. The Association had \$13,579 in interest revenue. Operating income and the change in net assets for the fiscal year was \$110,595 and \$124,174, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Association's financial activities. The *statement of net assets* and the *statement of revenues, expenses, and changes in net assets* provide information about the activities of the Association, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about the Association's short-term cash flow needs to support operations.

Reporting the Association Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of revenues, expenses, and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets and the statement of revenues, expenses and changes in net assets report the Association's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Association as a whole, the *financial position* of the Association has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Association's statement of net assets and statement of revenues, expenses, and changes in net assets can be found on pages 8-9 of this report. The statement of cash flows provides information about how the Association's finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 10 of this report.

CORMA SELF-INSURANCE POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-20 of this report.

Required Supplementary Information

Ten years of loss development information can be found on pages 21-23 of this report.

Net Assets and Changes in Net Assets

The table below provides a summary of the Association's net assets for fiscal years 2011 and 2010:

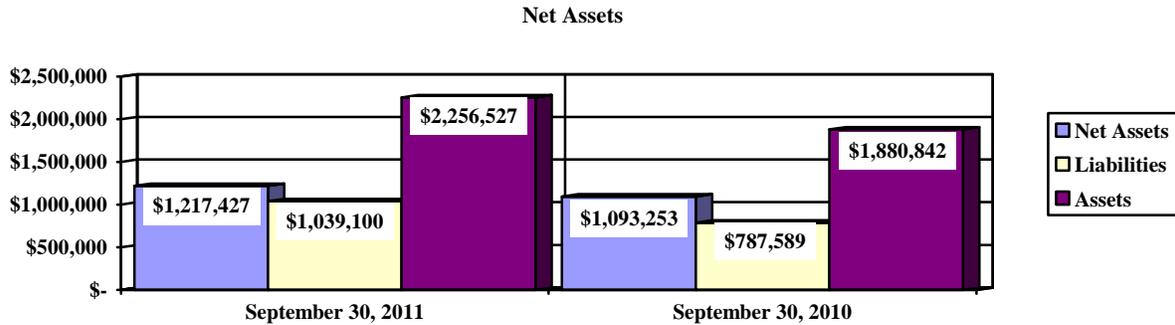
	Net Assets	
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 422,371	\$ 975,239
Investments	1,501,938	904,020
Receivables:		
Accrued interest	3,756	1,583
Prepayments	<u>328,462</u>	<u>-</u>
Total assets	<u>2,256,527</u>	<u>1,880,842</u>
<u>Liabilities:</u>		
Accounts payable and accrued expenses	-	167
Loss and loss adjustment expense reserves	801,537	787,422
Unearned revenue	<u>237,563</u>	<u>-</u>
Total liabilities	<u>1,039,100</u>	<u>787,589</u>
<u>Net Assets:</u>		
Unrestricted	<u>1,217,427</u>	<u>1,093,253</u>
Total net assets	<u>\$ 1,217,427</u>	<u>\$ 1,093,253</u>

The Association invested more of their cash balances in 2011. The investments consisted primarily of federal agency securities. The Association recorded a prepayment for fiscal year 2012 claims and pool administration fees as well as fiscal year 2012 insurance premiums which were paid prior to September 30, 2011. The loss and loss adjustment expense reserve increased \$14,115, or 1.79%, from September 30, 2010. The loss and loss adjustment expense reserve at fiscal year-end is provided by Financial Risk Analysts, LLC, the Association's independent actuary. Unearned revenue increased as the Association received fiscal year 2012 member premiums from two members prior to fiscal year-end. Overall, net assets increased by \$124,174 from the prior year.

CORMA SELF-INSURANCE POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

The chart below shows a breakdown of the Association's assets, liabilities and net assets for 2011 and 2010:



The table below shows the changes in net assets for fiscal years 2011 and 2010:

Change in Net Assets

	<u>2011</u>	<u>2010</u>
<u>Operating revenues:</u>		
Insurance premiums	\$ 669,599	\$ 608,833
Loss fund contributions	486,825	541,231
Claims handling fees	50,030	84,983
Administrative fees	96,986	66,215
Total operating revenues	<u>1,303,440</u>	<u>1,301,262</u>
<u>Operating expenses:</u>		
Loss and loss adjustment expenses, net	354,911	224,251
Insurance premiums	668,663	590,667
Administration fees	94,860	78,544
Claims handling fees	50,965	81,742
Professional fees	19,636	27,215
Miscellaneous expenses	3,810	388
Total operating expenses	<u>1,192,845</u>	<u>1,002,807</u>
Operating income	<u>110,595</u>	<u>298,455</u>
<u>Non-operating revenues:</u>		
Interest	13,579	12,729
Refunds and reimbursements	-	196,348
Total nonoperating revenues	<u>13,579</u>	<u>209,077</u>
Change in net assets	124,174	507,532
Net assets, October 1	<u>1,093,253</u>	<u>585,721</u>
Net assets, September 30	<u>\$ 1,217,427</u>	<u>\$ 1,093,253</u>

Net assets were primarily affected by the fluctuation in the estimated loss and loss adjustment expenses, net reported at September 30, 2011 and 2010 of \$354,911 and \$224,251, respectively. Fluctuations in the liability are reported as a component of the loss and loss adjustment expenses, net for each respective year. The fluctuation in the loss and loss adjustment expenses, net, between 2011 and 2010 resulted from differences between actuarial estimates of provisions for insured events from the current and prior years.

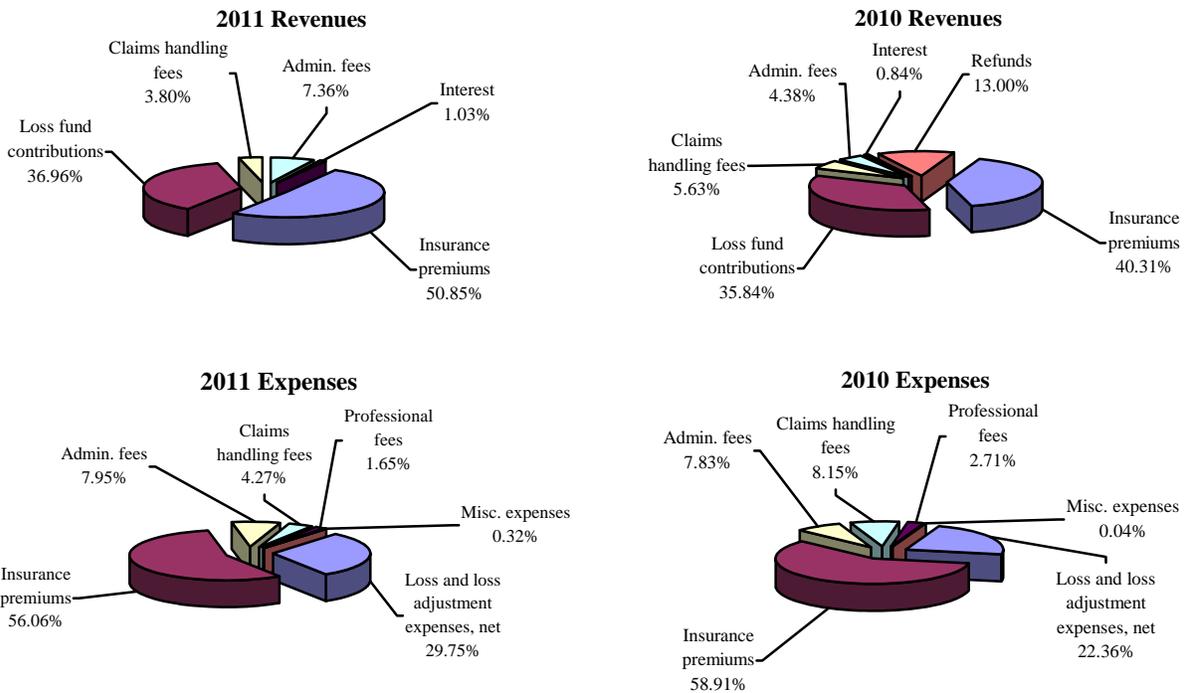
CORMA SELF-INSURANCE POOL, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Insurance premium revenue increased \$60,766 from 2010 to 2011. The Association had one more member in 2011 than in 2010. The increased membership was the primary reason for the increased revenue. Interest revenue increased 6.68% from fiscal year 2010 due to increased investment activity. The Association received fewer refunds and reimbursements in fiscal year 2011 versus fiscal year 2010 due primarily to the reimbursement of stop-loss coverage related to a claim in 2010.

The increase in operating expenses for insurance premiums and administration fees was primarily due to the increase in membership from 2010 to 2011. All other fiscal year 2011 revenue and expense amounts were consistent with fiscal year 2010.

The charts below reflect the percentage of the revenues and expenses in fiscal years 2011 and 2010:



Capital Assets and Debt Administration

At September 30, 2011 the Association had no capital assets or outstanding debt obligations.

Current Financial Related Activities

The Association is committed to providing its member cities with the advantages of a large buying cooperative, while maintaining control by local city leadership. The Association added one new member in fiscal year 2011, making seven total members at fiscal year end. In addition, the Association continues to look at other members who meet the established criteria. Underwriting considerations are of utmost importance in reviewing new membership applications. The Association is committed to protecting the financial interests of its members and will not admit a new member that would have an adverse impact on the Association.

CORMA SELF-INSURANCE POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

For fiscal year 2003, 2004 and 2005, the Association's net assets were a deficit of \$95,470, \$116,312 and \$321,086, respectively. For fiscal year 2006, 2007, 2008, 2009, 2010 and 2011, the Association's net assets were a positive \$470,879, \$611,253, \$357,687, \$585,721, \$1,093,253 and \$1,217,427, respectively. Establishing premiums that satisfy all claims, administration fees, and other expenses of the Association, in addition to enhancing the net assets position is important for the short-term and long-term interests of the Association.

Contacting the Association's Financial Management

This financial report is designed to provide interested users and our membership with a general overview of the Association's finances and to show the Association's accountability for the money it receives. Effective October 1, 2011, Ms. Debra Miller replaced Adam Maxwell as the Secretary/Treasurer of the Association. If you have questions about this report or need additional financial information contact Mr. Adam Maxwell, 21 South State Street, Westerville, Ohio 43081 or by calling (614) 901-6407 or Ms. Debra Miller, 47 Hall Street, Powell, Ohio 43065 or by calling (614) 396-3363.

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CORMA SELF-INSURANCE POOL, INC.

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Assets:	
Cash and cash equivalents	\$ 422,371
Investments	1,501,938
Receivables:	
Accrued interest.	3,756
Prepayments	328,462
Total assets	<u>2,256,527</u>
Liabilities:	
<u>Current liabilities:</u>	
Loss and loss adjustment expense reserves (see Note 6).	801,537
Unearned revenue	<u>237,563</u>
Total liabilities	<u>1,039,100</u>
Net assets:	
Unrestricted.	<u>1,217,427</u>
Total net assets	<u><u>\$ 1,217,427</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CORMA SELF-INSURANCE POOL, INC.
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Operating revenues:	
Member contributions:	
Insurance premiums	\$ 669,599
Loss fund contributions	486,825
Claims handling fees	50,030
Administrative fees	96,986
	1,303,440
Operating expenses:	
Loss and loss adjustment expenses, net (see Note 7)	354,911
Insurance premiums	668,663
Administration fees	94,860
Claims handling fees	50,965
Professional fees.	19,636
Miscellaneous expenses	3,810
	1,192,845
Total operating expenses.	1,192,845
Operating income	110,595
Non-operating revenues:	
Interest	13,579
	13,579
Total nonoperating revenues	13,579
Change in net assets.	124,174
Net assets, October 1	1,093,253
Net assets, September 30	\$ 1,217,427

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CORMA SELF-INSURANCE POOL, INC.

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Cash flows from operating activities:	
Cash received from members	\$ 1,541,003
Cash payments to suppliers for services.	(1,162,753)
Cash payments for covered losses.	(340,796)
Cash payments for miscellaneous expenses	(3,810)
	33,644
 Cash flows from investing activities:	
Purchase of investments	(1,299,850)
Redemption of investments.	699,859
Interest received	13,479
	(586,512)
Net decrease in cash and cash cash equivalents	(552,868)
Cash and cash equivalents, October 1	975,239
Cash and cash equivalents, September 30	\$ 422,371
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 110,595
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) in prepayments	(328,462)
(Decrease) in accounts payable.	(167)
Increase in unearned revenue.	237,563
Increase in loss and loss adjustment expense reserves.	14,115
	33,644
Net cash provided by operating activities	\$ 33,644

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - DESCRIPTION OF THE ENTITY

The Central Ohio Risk Management Association (CORMA) Self-Insurance Pool, Inc. (the "Association") is a legally separate entity organized under Ohio Revised Code Section 1702.01. The Association was established on September 24, 1997. The Association was formed to administer a joint self-insurance pool under Chapter 2744.081 of the Ohio Revised Code for the public purpose of enabling the subscribing political subdivisions to obtain insurance coverage, to provide methods for paying claims and to provide for a formalized, jointly administered self-insurance fund for its members. The Association is administered by a Board of Trustees appointed by the Members of the Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Association also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Association also has the option to apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Association has elected to apply this FASB guidance. The Association's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the Association are not misleading. On this basis, no governmental organizations or agencies other than the Association itself are included in the financial reporting entity.

B. Fund Accounting

The Association maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The Association uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Association utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

The Association's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the Association's operations are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from charges to members for insurance premiums, loss fund contributions, claims handling fees and administrative fees. Operating expenses for the Association include the payment of loss and loss adjustment expenses, insurance premiums, administrative fees, claims handling fees, professional fees and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include investment income.

D. Assets, Liabilities and Net Assets

Cash and Investments:

During fiscal year 2011, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities and a U.S. government money market mutual fund. Investments are reported at fair value, which is based on quoted market prices. The fair value of investments at September 30, 2011 is presented on the statement of net assets as "investments".

The Association maintains three individual accounts for claims, losses and administrative costs. Each separate account is a depository account with a financial institution. The total of the three depository accounts are presented on the statement of net assets as "cash and cash equivalents".

For purposes of the statement of cash flows and for reporting on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Association are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

An analysis of the Association's cash and investments at fiscal year-end is provided in Note 4.

Receivables:

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables in excess of 90 days are evaluated for the ability to collect them and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The Association had a receivable for accrued interest on investments in federal agency securities at September 30, 2011.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Prepayments:

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Association's prepayments at fiscal year-end represent certain insurance premiums and administrative fees which were paid in fiscal year 2011 but are applicable to fiscal year 2012.

Unearned Revenue:

The Association has reported unearned revenue for certain member program contributions received in fiscal year 2011 which meet the asset recognition criteria but do not meet the revenue recognition criteria because they relate to fiscal year 2012 and have not been earned as of September 30, 2011.

Loss and loss adjustment expense reserves:

Provisions for loss reserves and loss adjustment expense reserves are based on information reported by members and are calculated by an actuary. These amounts represent an estimate of reported unpaid claims plus a provision for claims incurred but not reported. Adjustments to this reserve account are charged or credited to expense in the period in which they are made. The Association's management believes that the estimate of the liability for loss reserves is reasonable. However, actual incurred loss and loss adjustment expense may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and the related loss adjustment expense may vary from the estimated amounts included in the accompanying financial statements. Should the provision for loss reserves be insufficient, supplemental contributions will be assessed to the Association members. See Note 6 for more information of the Association's loss and loss adjustment expense reserves.

Net assets:

Net assets are the excess of revenues over expenses during the period in which the Association has been in existence. If adequate provision has been made for the payment of all claims and expenses of the Association, the Board of Trustees, at its discretion, may distribute surplus funds to members during that particular year, provided that such members are also members in the year in which the distribution is made. In lieu of distributing surplus funds to the members, the Board may carry forward the surplus to offset annual or supplemental payments in the subsequent fiscal year.

In the event the Association is terminated, all members of the Association are obligated for any necessary supplemental payments applicable to the years during which they were members. After all claims and related expenses have been paid or reserves established for the payment of any such claims, any surplus funds will be distributed to members, past or present, who constituted the Association for that fiscal year.

E. Revenues and Expenses

Premiums, member and supplemental contributions, claims handling fees and administrative fees:

Premiums are determined based on the member's allocated insurance coverage costs as determined by the Association administrator and are recognized ratably as revenue and the related expense over the insurance coverage period.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Member and supplemental contributions are determined based on a formula approved by the Board of Trustees and applied to all members to provide sufficient funds within the self-insurance pool to adequately fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expense.

Under the terms of the cooperative agreement, should the annual contributions not be sufficient to fund operations or obligations of the Association, additional supplementary payments shall be required to be made by every member based on the formula used to determine the annual contributions.

Claims handling and administrative fees are based on a contract with a third party and are recognized ratably as revenue and the related expense by the Association over the term of the agreement.

Insurance coverage:

The Association provides insurance coverage for various lines of insurance including property, general liability, automobile liability, automobile physical damage, police liability occurrences and errors and omissions claims. The self-insured portion is limited to annual aggregates. Losses over the Association's self-insured retention amounts are payable by commercial insurance policies, only to the extent limits and coverage applies.

The Association has an agreement with a company to administer claims and loss control. During fiscal year 2011, the Association used Financial Risk Analysts, LLC as their independent actuary and Wichert Insurance Services, Inc. as their claims administrator and insurance broker. Wichert Insurance Services, Inc. handles all past and future claims.

F. Budgetary Process

Under Ohio law, the Association is not required to follow a budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

G. Estimates

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with finance-related legal and contractual provisions:

The Association had no material violations of finance-related legal and contractual provisions.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS

The Treasurer of the Association pools all available cash of the Association for investment purposes. The Association's investment policy, as approved by the Association's Board, serves to define authorized investments and eligible investment transactions of the Association. Eligible investments may be derived from, or based upon Chapter 135.14 of the Ohio Revised Code (ORC), and/or include certain other investments not authorized or defined under 135.14 ORC. Investments not defined in 135.14 ORC, but authorized pursuant to the Association's investment policy, are considered as authorized investments of the Association. In some sections, the Association's investment policy places further limits upon the use of eligible investments or investment transactions.

State statute and the Association's investment policy allow monies to be deposited or invested in the following:

1. United States Government Securities including bills, notes, bonds, debentures, or any other obligations or securities issued by the U.S. treasury or any other obligation guaranteed as to principal and interest by the United States;
2. United States Agency or Instrumentality Securities including bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Time Certificates of Deposit, Savings Accounts, and Deposit accounts including interest bearing time certificates of deposit, savings accounts, and deposit accounts of any eligible public depository as defined by ORC, provided that any such deposits and savings accounts are properly insured or secured by collateral as prescribed below;
4. Repurchase Agreements (Repo's). Before transacting a repurchase agreement with a particular broker/dealer or eligible institution, a Master Repurchase Agreement must be entered into between the Association and such broker or eligible institution. The term of a repurchase agreement may not exceed 30 days. Each Master Repurchase Agreement will provide for the collateralization of each repurchase agreement in accordance with ORC. The fair value of the collateral shall not be less than 102% of the principal amount of each repurchase agreement and the collateral shall be marked to market daily;
5. State Government Securities including bonds and other obligations of the State of Ohio;
6. The State of Ohio investment pool, otherwise known as STAR Ohio;
7. No-load money market mutual funds consisting exclusively of obligations described in sections (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in no-load money market mutual funds are made only through financial institutions eligible for deposit as authorized by ORC section 135.03; and,
8. Bankers Acceptances of banks that are members of the federal deposit insurance corporation to which obligations both of the following apply: (1) the obligations are eligible for purchase by the federal reserve system and (2) the obligations mature no later than one hundred eighty days after purchase.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The Association's investment policy places the following limitations on investments as follows:

1. Limitation of investments of any single institution or issuer:
 - (a) The Association's investment with any individual issuer shall not constitute more than five percent (5%) of such issuer's total outstanding issue in Bankers Acceptances, or corporate medium term notes.
 - (b) The total value of certificates of deposit, purchased from any individual financial institution, shall not exceed three percent (3%) of the institutions total time deposits, provided that such total deposits do not exceed five percent (5%) of the Association's average portfolio at the time of purchase.
2. Limitations on the investment of interim funds:
 - (a) The aggregate investments in Bankers Acceptances shall not exceed twenty five percent (25%) of the Association's average portfolio, at the time of purchase.
 - (b) The aggregate total of all corporate medium term notes shall not exceed fifteen percent (15%) of the average portfolio, based upon purchase cost or book value, at the time of purchase. Bankers Acceptances shall not be considered when calculating the maximum holdings in any single issuer.
 - (c) The use of derivative securities, as defined in Ohio Revised Code §135.14 (C), is expressly prohibited.
 - (d) Collateralized mortgage obligations (CMO's) of any kind are expressly prohibited.
 - (e) All eligible investments will mature within five (5) years from the date of settlement.

Investments in derivatives and in stripped principal or interest obligations of eligible obligations are strictly prohibited.

Protection of the Association's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Association by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Association's investment policy prescribes that securities purchased for Association will be held in safekeeping by a qualified trustee as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safe keep the Association's securities in (1) Federal Reserve Bank book entry form; (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank; or (3) Non-book entry (physical) securities held by the custodian or the custodian's correspondent bank. All securities transactions will settle using standard delivery-vs-payment (OVP) procedures. The records of the custodian shall identify such securities in the name of the Association. Collateral will be required on two types of investments: certificates of deposit and repurchase agreements. The collateralization level will be as defined by ORC. Collateral is limited to eligible securities defined in ORC Sections 135.18 and 135.181. Each financial institution with which the Association has deposits shall provide a quarterly statement reflecting the securities pledged including the fair value of such securities.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At September 30, 2011, the carrying amount of the Association's deposits was \$412,386 and the bank balance was \$440,391. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of September 30, 2011, \$190,391 of the Association's bank balance of \$440,391 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Association's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the ORC, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Association. The Association has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Association to a successful claim by the FDIC.

B. Investments

As of September 30, 2011, the Association had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
U.S. government money market mutual fund	\$ 9,985	\$ 9,985	\$ -	\$ -	\$ -
FFCB	299,542	-	-	-	299,542
FHLMC	500,349	-	99,967	199,793	200,589
FNMA	99,598	-	-	-	99,598
FHLB	<u>602,449</u>	<u>-</u>	<u>202,158</u>	<u>100,039</u>	<u>300,252</u>
Total	<u>\$ 1,511,923</u>	<u>\$ 9,985</u>	<u>\$ 302,125</u>	<u>\$ 299,832</u>	<u>\$ 899,981</u>

The weighted average length to maturity of investment is 2.29 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Association's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Association's investments were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Association's investment policy aims to ensure preservation of capital in the overall portfolio.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Association's name. The Association has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Association's investment policy places specific limitations on the amounts that may be invested in a single institution or issuer as described above. The following table includes the percentage of each investment type held by the Association at September 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. government money market mutual fund	\$ 9,985	0.66
FFCB	299,542	19.81
FHLMC	500,349	33.09
FNMA	99,598	6.59
FHLB	602,449	39.85
Total	<u>\$ 1,511,923</u>	<u>100.00</u>

C. Reconciliation of Cash and Investment to the Statement of Net Assets

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 assets as of September 30, 2011:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 412,386
Investments	<u>1,511,923</u>
Total	<u>\$ 1,924,309</u>
 <u>Cash and investments on Statement of Net Assets</u>	
Cash and cash equivalents	\$ 422,371
Investments	<u>1,501,938</u>
Total	<u>\$ 1,924,309</u>

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - INSURANCE COVERAGES

For the fiscal year ended September 30, 2011, the Association provided the following insurance coverage:

Self-insured portion for covered claims per occurrence:		
Property claims	\$	25,000
Liability claims		100,000
 Annual aggregate self-insured retention (liability coverages)		 550,000

Claims over the self-insured portion are covered by commercial insurance policies with members as additional named insured's.

NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Association established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and related loss adjustment expenses. The claims liability as required by GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", was provided by the Associations independent actuary, Financial Risk Analysts, LLC.

The changes in the aggregate liabilities for the Association for the fiscal years ended September 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Unpaid loss and loss adjustment expense reserves, beginning	\$ 787,422	\$ 980,423
Incurred loss and loss adjustment expenses, provision for insured events of the current period	523,431	497,757
(Decrease) in provision for insured events of the prior years	<u>(168,520)</u>	<u>(273,506)</u>
Total incurred loss and loss adjustment expenses	<u>354,911</u>	<u>224,251</u>
Payments:		
Loss and loss adjustment expenses attributable to insured events of the current year	140,900	112,486
Loss and loss adjustment expenses paid attributable to insured events of prior years	<u>199,896</u>	<u>304,766</u>
Total payments	<u>340,796</u>	<u>417,252</u>
Unpaid loss and loss adjustment expense reserves, ending	<u>\$ 801,537</u>	<u>\$ 787,422</u>

NOTE 7 - LOSS AND LOSS ADJUSTMENT EXPENSES, NET

For fiscal year 2011 and 2010, the Association reported loss and loss adjustment expenses, net of \$354,911 and \$224,251, respectively. The higher expense for 2011 is the result of differences between actuarial estimates of provisions for insured events from the prior years. The Association's independent actuary for fiscal year 2011 was Financial Risk Analysts, LLC.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

NOTE 7 - LOSS AND LOSS ADJUSTMENT EXPENSES, NET - (Continued)

The \$14,115 increase in the loss and loss adjustment expense reserves from September 30, 2010 to September 30, 2011 is reflected in the fiscal year 2011 loss and loss adjustment expenses, net as reported on the Statement of Revenues, Expenses and Changes in Net Assets. For fiscal year 2011, actual claims payments for covered losses were \$340,796 as reported on the Statement of Cash Flows.

NOTE 8 - CLAIMS ADMINISTRATION

The Association has entered into agreements with companies for the purpose of claims administration, claims adjustments, loss control and Association administration. For the fiscal year ended September 30, 2011, the amounts charged to expense were as follows:

Administration fees	\$ 94,860
Claims handling fees	<u>50,965</u>
Total	<u>\$ 145,825</u>

NOTE 9 - CONTINGENCIES

General:

In the normal course of business, the Association is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

Concentration by geographic location and industry:

The Association is exposed to certain risks by writing all its business in the State of Ohio, thus increasing exposure to a single geographic area.

Association membership is limited to municipalities.

NOTE 10 - SIGNIFICANT SUBSEQUENT EVENT

On October 1, 2011, Ms. Debra Miller, the Finance Director for the City of Powell, became Treasurer of the Association.

REQUIRED SUPPLEMENTARY INFORMATION

CORMA SELF-INSURANCE POOL, INC.

TEN-YEAR LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Association's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Association as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums, reported investment and other income.
- (2) This line shows each fiscal year's other operating costs of the Association including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Association's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known.)
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the fiscal years ended September 30, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 and 2002 is as follows:

CORMA SELF-INSURANCE POOL, INC.

TEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	Fiscal and Accident Year Ended September 30,						
	2002	2003	2004	2005	2006	2007	2008
1. Premiums, investment and other income	\$ 744,226	\$ 946,220	\$ 1,024,263	\$ 1,050,567	\$ 1,147,024	\$ 1,284,042	\$ 1,241,153
2. Unallocated expenses	397,189	600,867	625,959	678,928	656,874	724,562	707,985
3. Estimated losses incurred and expense, end of year	360,387	413,417	426,125	517,525	225,754	249,791	668,835
4. Paid, cumulative as of:							
End of accident year	60,285	103,457	106,858	129,963	150,025	42,079	154,843
One year later	138,791	216,765	299,481	307,368	193,629	78,701	198,911
Two years later	160,402	236,662	256,091	340,304	185,533	78,956	214,504
Three years later	170,898	325,000	271,699	351,229	176,749	113,063	235,397
Four years later	222,725	387,431	314,030	388,019	176,749	114,033	-
Five years later	222,725	420,283	314,030	388,063	176,749	-	-
Six years later	137,344	470,283	314,030	407,750	-	-	-
Seven years later	170,404	470,283	314,030	-	-	-	-
Eight years later	170,404	470,283	-	-	-	-	-
Nine years later	170,404	-	-	-	-	-	-
5. Re-estimated incurred losses and expense:							
End of accident year	360,387	413,417	426,125	517,525	225,754	249,791	668,835
One year later	265,440	382,872	496,406	329,171	204,449	297,651	437,862
Two years later	246,988	394,409	292,559	377,713	185,533	241,712	333,069
Three years later	238,434	375,000	332,815	439,313	176,749	177,027	308,133
Four years later	222,725	471,822	314,030	447,224	176,749	114,033	-
Five years later	222,725	420,283	314,030	437,602	176,749	-	-
Six years later	137,344	470,283	314,030	407,750	-	-	-
Seven years later	170,404	470,283	314,030	-	-	-	-
Eight years later	170,404	470,283	-	-	-	-	-
Nine years later	170,404	-	-	-	-	-	-
6. Increase (decrease) in estimated incurred losses and expenses from end of accident year	(189,983)	56,866	(112,095)	(109,775)	(49,005)	(135,758)	(360,702)

Fiscal and Accident Year Ended September 30,

	2009	2010	2011
\$	1,302,444	\$ 1,510,339	\$ 1,317,019
	709,243	778,556	837,934
	569,892	497,758	523,431
	75,381	112,486	140,900
	330,403	348,576	-
	252,659	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	569,892	497,758	523,431
	475,486	648,014	-
	274,492	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	(295,400)	150,256	-



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Central Ohio Risk Management Association Self-Insurance Pool, Inc.
c/o City of Powell
47 Hall Street
Powell, Ohio 43065

To the Board of Trustees:

We have audited the financial statements of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, Ohio, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 28, 2012. 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 the Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Central Ohio Risk Management Association Self-Insurance Pool'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 the Central Ohio Risk Management Association Self-Insurance Pool's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Board of Trustees
Central Ohio Risk Management Association Self-Insurance Pool, Inc.

Compliance and Other Matters

As part of reasonably assuring whether the Central Ohio Risk Management Association Self-Insurance Pool's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, and contracts, 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 the management, the Board of Trustees, and others within the Central Ohio Risk Management Association Self-Insurance Pool, Inc. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
February 28, 2012

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Dave Yost • Auditor of State

CENTRAL OHIO RISK MANAGEMENT ASSOCIATION SELF-INSURANCE POOL INC.

FRANKLIN 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
MAY 1, 2012**