

BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO

BASIC
FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

JOHN W. LEHNER, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Buckeye Ohio Risk Management Association Benefits Pool, Inc., Defiance County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Buckeye Ohio Risk Management Association Benefits 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

September 21, 2016

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**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Buckeye Ohio Risk Management Association Benefits Pool, Inc.
c/o City of Defiance
Defiance County
631 Perry Street
Defiance, Ohio 43512

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Buckeye Ohio Risk Management Association Benefits Pool, Inc. (BORMA), Defiance County, Ohio, (a not-for-profit corporation), which comprise the statement of net position, the related statements of activities and cash flows, as of and for the fiscal year ended December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to BORMA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of BORMA's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BORMA, Defiance County, Ohio, as of December 31, 2015, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not a 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Management has omitted the *Ten-year loss development information* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, on our consideration of BORMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BORMA's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 28, 2016

THE BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

The discussion and analysis of The Buckeye Ohio Risk Management Association Benefits Pool, Inc. (Agency) performance provides an overview of the Agency's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole.

HIGHLIGHTS

The Agency's net position increased \$2,157,701. Total assets increased by \$3,192,136. The loss reserve requirement increased by \$487,500.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the activity of the Agency as a whole.

DESCRIPTION OF FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the Agency performed financially during 2015. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and revenues and expenses using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report the Agency's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Agency has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not.

BUDGETARY HIGHLIGHTS

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

THE BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

FINANCIAL ANALYSIS

Net Position

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------------|----------------------|
| Current and other assets | \$ 5,467,865 | \$ 2,275,729 |
| Current and other liabilities | 5,155,308 | 3,479,800 |
| Deferred inflows of resources | <u>0</u> | <u>641,073</u> |
| Unrestricted net position | <u>\$ 312,577</u> | <u>\$(1,845,144)</u> |

Change in Net Position

Revenues

| | | |
|--------------------------|-------------------|-------------------|
| Membership contributions | \$30,879,819 | \$27,333,757 |
| Enrollment fees | 8,102 | 273,648 |
| Cobra contributions | 46,557 | 39,801 |
| Rebates | 844,686 | 573,675 |
| Interest | 913 | 2,538 |
| Provider Refunds | 192,724 | 183,779 |
| Miscellaneous | <u>0</u> | <u>17,283</u> |
| Total revenues | <u>31,972,801</u> | <u>28,424,481</u> |

Expenses

| | | |
|----------------------------|---------------------|---------------------|
| Administration fees | 1,168,005 | 1,037,875 |
| Claim expenses | 27,293,557 | 23,731,227 |
| Insurance premiums | 1,087,482 | 1,019,935 |
| ACA Trans Reinsurance Fees | 207,999 | 239,937 |
| Other | 49,134 | 62,478 |
| Withdraw of member | <u>8,923</u> | <u>11,424</u> |
| Total expenses | <u>29,815,100</u> | <u>26,102,876</u> |
| Change in net position | <u>\$ 2,157,701</u> | <u>\$ 2,321,605</u> |

As previously noted, total assets increased by \$3,192,136 or 140.3% in 2015. Total revenues and total expenses increased \$3,548,320 and \$3,712,224, respectively.

REQUEST FOR INFORMATION

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

BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.

STATEMENT OF NET POSITION

As of December 31, 2015

CURRENT ASSETS

| | |
|---------------------------|-------------------------|
| Cash and Cash Equivalents | \$5,290,549 |
| Member Receivables | 1,528 |
| Other Receivables | <u>175,788</u> |
| Total Assets | <u>5,467,865</u> |

LIABILITIES

| | |
|---------------------------|-------------------------|
| Accounts Payable | 1,594,008 |
| Reserve for Unpaid Claims | <u>3,561,300</u> |
| Total Liabilities | <u>5,155,308</u> |

NET POSITION

| | |
|---------------------------|--------------------------|
| Unrestricted | <u>312,557</u> |
| Total Net Position | <u>\$ 312,557</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the fiscal year ended December 31, 2015

OPERATING REVENUES

| | |
|---------------------------------|-------------------|
| Membership Contributions | \$ 30,879,819 |
| Cobra Contributions | 46,557 |
| Rebates | 844,686 |
| Enrollment fees | <u>8,102</u> |
| <u>TOTAL OPERATING REVENUES</u> | <u>31,779,164</u> |

OPERATING EXPENSES

| | |
|---------------------------------|-------------------|
| Administrative fees | 1,168,005 |
| Insurance Premiums for Coverage | 1,087,482 |
| Claims expense | 27,293,557 |
| ACA Trans Reinsurance fees | 207,999 |
| Other operating expenses | <u>49,134</u> |
| <u>TOTAL OPERATING EXPENSES</u> | <u>29,806,177</u> |

OPERATING INCOME 1,972,987

NON-OPERATING REVENUES

| | |
|------------------------------------|----------------|
| Provider Refunds | 192,724 |
| Withdraw of Member | (8,923) |
| Interest Revenue | <u>913</u> |
| <u>TOTAL NON-OPERATING REVENUE</u> | <u>184,714</u> |

CHANGE IN NET POSITION 2,157,701

NET POSITION - Beginning of Year (1,845,144)

NET POSITON - End of Year \$ 312,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.

STATEMENT OF CASH FLOWS

For the fiscal year ended December 31, 2015

Cash Flows From Operating Activities

| | |
|--|-----------------|
| Cash Received from Member Contribution | \$ 31,256,244 |
| Cash Received from Rebates | 844,686 |
| Cash Received from Cobra participants | 46,557 |
| Cash Received from new member enrollment | 5,077 |
| Cash Payments for Claims | (26,972,120) |
| Cash Payments for administration | (1,003,656) |
| Cash Payments for insurance premiums | (1,112,064) |
| Cash Paid for other expenses | <u>(87,811)</u> |

Net cash provided by (used in) operating activities 2,976,913

Cash Flows from Non-Capital Financing Activities

| | |
|-------------------------------------|----------------|
| Cash received from provider refunds | 192,724 |
| Cash paid to members | <u>(8,923)</u> |

Net cash flows provided by non-capital financing activities 183,801

Cash Flows From Investing Activities

| | |
|------------------------------------|------------|
| Cash received from interest income | <u>913</u> |
|------------------------------------|------------|

Net cash flows provided by investing activities 913

Net increase (decrease) in cash and cash equivalents 3,161,627

Cash and Cash Equivalents, beginning of year 2,128,922

Cash and Cash Equivalents, end of year \$ 5,290,549

**Reconciliation of changes in operating income to net
Cash flows from operating activities:**

| | |
|---|----------------|
| Operating income | \$ 1,972,987 |
| Changes in assets and liabilities: | |
| Decrease/(Increase) in member contribution receivable | 35,279 |
| Decrease/(Increase) in other receivable | (65,788) |
| Increase/(Decrease) in accounts payable | 1,188,008 |
| Increase/(Decrease) in loss reserve | 487,500 |
| Increase/(Decrease) in prepaid premiums | (632,971) |
| Increase/(Decrease) in deferred enrollment fees | <u>(8,102)</u> |

Net cash provided by (used in) operating activities \$ 2,976,913

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - FINANCIAL REPORTING ENTITY

Buckeye Ohio Risk Management Association Benefits Pool, Inc. (BORMA) is a not-for-profit corporation formed under Chapter 1702 of the Ohio Revised Code for the purpose of operating a joint self-insurance health benefits pool. BORMA's public purpose is to enable its members (political subdivisions) to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Benefits Pool provides health benefits to employees of its members. In addition to the self-insurance pool, BORMA provides risk management services. At December 31, 2015 the members of BORMA included the following public entities within the State of Ohio: Village of Archbold, City of Bowling Green, City of Bucyrus, Village of Carey, Correction Center of Northwest Ohio, City of Clyde, City of Defiance, Village of Fayette, City of Fremont, Henry County, Village of Hicksville, City of Napoleon, City of Oberlin, City of Oregon, City of Sandusky, Sandusky County Board of Health, Sandusky County Engineers, City of Upper Sandusky, Village of Huntington Valley and City of Willard.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Presentation

BORMA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

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, BORMA 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.

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

BORMA distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from member contributions, rebates and enrollment fees. Operating expenses for BORMA include claims expense, administrative fees, and insurance premium for coverage. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues include provider refunds, interest and membership withdraw.

BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Member and Supplemental Contributions

Member contributions are calculated annually to produce a sum of money within the self-insurance pool adequate to fund administrative expenses and to establish adequate reserves to pay health claims incurred by employees of the members.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

C. Cash and Investments

The Pool classifies its monies according to State statute into three categories.

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

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

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

Investments are reported at fair value. BORMA has invested funds in the State Treasury Asset Reserve of Ohio (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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold.

BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of BORMA's investment account at year end is provided in Note 3.

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

D. Reinsurance Receivables

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

E. Other Receivables

The Pool receives rebates from Employers Health based on purchases of prescription drugs. These rebates are received on a quarterly basis generally three months after the end of the quarter.

F. Administrative Expenses

Administrative expenses reported on the Statement of Revenues, Expenses, and Changes in Net Position primarily consist of costs associated with the processing of claims payments and the purchase of loss control services.

G. Claims Expenses

Claims Expenses include paid and unpaid claims and expenses associated with settling claims. The Loss Reserves liability is based on an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the ultimate cost of settling the claims.

H. Estimates

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

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by BORMA or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

As of December 31, 2015, all of BORMA's net position is considered unrestricted.

J. Subsequent Events

Management has evaluated subsequent events through June 28, 2016, the date of this report. No subsequent events have occurred as of that date.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Deposits - At fiscal year-end, the carrying amount of BORMA's deposits was \$5,277,817 and the bank balance was \$5,279,219. Of the bank balance, \$250,000 was covered by federal depository insurance.

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

| | |
|-----------|------------------|
| STAR Ohio | <u>\$ 12,732</u> |
|-----------|------------------|

Custodial credit risk - Custodial credit risk is the risk that, in the event of a failure of a depository institution or counter party to a transaction, BORMA will be unable to recover the value of deposits, investments, or collateral securities in possession of an outside party. At December 31, 2015, BORMA's deposits and investments had \$5,029,219 exposed to custodial credit risk. BORMA does not have a policy to limit custodial credit risk beyond the requirements of State statute.

Credit Risk - Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. BORMA does not have a policy to limit credit risk. STAR Ohio has a quality rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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 December 31, 2015:

| | |
|--|--------------------|
| <u>Cash and Investments per footnote</u> | |
| Carrying amount of deposits | \$5,277,817 |
| Investments | <u>12,732</u> |
| Total | <u>\$5,290,549</u> |
| <u>Cash and investments on Statement of Net Position</u> | |
| Cash and cash equivalents | <u>\$5,290,549</u> |

NOTE 4 - ENROLLMENT FEES

New members entering the Pool are assessed a fee based on the number of employees that the new member adds to the Pool's risks. This enrollment fee is amortized into the Pool's income over three years which is the minimum period of time that a new member has committed to enrollment in the Pool. These fees are recorded as Deferred Inflows of Resources on the Statement of Net Position.

| | |
|---|----------------|
| Deferred enrollment fees - beginning of year | \$ 8,102 |
| Amount of enrollment fee recognized as income in 2015 | <u>(8,102)</u> |
| Deferred Enrollment fees | <u>\$ 0</u> |

NOTE 5 - REINSURANCE CEDED

BORMA reinsures certain risks with HCC Life Insurance Company to limit its losses for large aggregate and individual losses. The plan year is January 1 through December 31. Reinsurance premiums ceded during the year totaled \$1,087,482 in 2015.

NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

BORMA 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 BORMA's independent actuary, Timothy P. Berghoff, LLC.

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES (Continued)

The changes in BORMA's reserve for claims losses for the fiscal years ended December 31, 2015 and 2014 were as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims</u> | <u>Payments</u> | <u>Ending Balance</u> |
|---------------------------|---------------------------------|----------------------|------------------------|------------------------------|
| 2014 | \$ 5,342,327 | \$ 23,731,227 | \$ 25,833,691 | \$ 3,239,863 |
| 2015 | \$ 3,239,863 | \$ 27,293,557 | \$ 26,972,120 | \$ 3,561,300 |

NOTE 7 - WITHDRAWAL OF MEMBERS

The City of Pepper Pike withdrew its membership in the Pool effective December 31, 2014. A distribution of \$8,923 was made to the City in 2015 representing its share of the available cash reserves as of December 31, 2014.

The City of Clyde, City of Sandusky, City of Upper Sandusky, City of Willard, Corrections Center of Northwest Ohio, Henry County, and Sandusky County Engineers withdrew their membership in the Pool effective December 31, 2015. A distribution will be made to the entities in 2016.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Buckeye Ohio Risk Management Association Benefits Pool, Inc.
c/o City of Defiance
Defiance County
631 Perry Street
Defiance, Ohio 43512

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Buckeye Ohio Risk Management Association Benefits Pool, Inc. (BORMA), Defiance County, Ohio, (a not-for-profit corporation), as of and for the fiscal year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise BORMA's basic financial statements and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered BORMA's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of BORMA's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of BORMA's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Buckeye Ohio Risk Management Association Benefits Pool, Inc.

Compliance and Other Matters

As part of reasonably assuring whether BORMA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of BORMA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering BORMA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
June 28, 2016



Dave Yost • Auditor of State

BORMA EMPLOYEE BENEFIT POOL

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 4, 2016**