

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

**BASIC**  
**FINANCIAL STATEMENTS**  
**(AUDITED)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**JOHN W. LEHNER, TREASURER**





# Dave Yost • Auditor of State

Board of Trustees  
Buckeye Ohio Risk Management Association Benefits Pool, Inc.  
c/o City of Defiance  
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, 2016 through December 31, 2016. 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 22, 2017

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

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**Julian & Grube, Inc.**  
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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 revenues, expenses and changes in net position and cash flows, as of and for the year ended December 31, 2016, and the related notes to the basic 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 the risks of material financial statement 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, 2016, and the changes in its financial position and its cash flows for the 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 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, and other knowledge we obtained during our audit of 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, 2017, 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, 2017



**THE BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION BENEFITS POOL, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended December 31, 2016

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, 2016. 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 \$1,249,728. The assets decreased by \$725,002. The loss reserve requirement decreased by \$570,500.

**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 2016. 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 DISCUSSIONS AND ANALYSIS

For the year ended December 31, 2016

FINANCIAL ANALYSIS

Net Position

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 4,742,863	\$ 5,467,865
Current and other liabilities	<u>3,180,579</u>	<u>5,155,308</u>
Unrestricted Net Position	<u>\$ 1,562,284</u>	<u>\$ 312,577</u>
Change in Net Position		
Revenues		
Membership Contributions	\$18,983,337	\$30,879,819
Enrollment Fees	0	8,102
Cobra Contributions	61,091	46,557
Rebates	811,304	844,686
Interest	914	913
Provider Refunds	257,550	192,724
Miscellaneous	<u>0</u>	<u>0</u>
Total Revenues	<u>20,114,196</u>	<u>31,972,801</u>
Expenses		
Administration Fees	\$ 711,248	\$ 1,168,005
Claims Expenses	15,719,363	27,293,557
Insurance Premiums	782,375	1,087,482
ACA Trans Reinsurance Fees	93,682	207,999
Other	42,815	49,134
Withdraw of Member	<u>1,514,985</u>	<u>8,923</u>
Total Expenses	<u>18,864,468</u>	<u>29,815,100</u>
Change in Net position	<u>\$ 1,249,728</u>	<u>\$ 2,157,701</u>

As previously noted, total assets decreased by \$725,002 or 13.26% in 2016. Total revenues and total expenses decreased by \$11,858,605 and \$10,950,632 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  
DECEMBER 31, 2016**

**Assets:**

Current assets:

Cash and cash equivalents . . . . .	\$ 4,684,465
Other receivables . . . . .	<u>58,398</u>
Total current assets . . . . .	<u>4,742,863</u>
Total assets . . . . .	<u>4,742,863</u>

**Liabilities:**

Current liabilities:

Accounts payable . . . . .	63,076
Claims payable (see Note 6) . . . . .	124,967
Loss reserve (see Note 6) . . . . .	2,990,800
Unearned revenue . . . . .	<u>1,735</u>
Total current liabilities . . . . .	<u>3,180,578</u>
Total liabilities . . . . .	<u>3,180,578</u>

**Net position:**

Unrestricted. . . . .	<u><u>\$ 1,562,285</u></u>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>Operating revenues:</b>	
Member contributions . . . . .	\$ 18,983,337
COBRA contributions. . . . .	61,091
Rebates . . . . .	<u>811,304</u>
Total operating revenues . . . . .	<u>19,855,732</u>
<b>Operating expenses:</b>	
Administrative fees . . . . .	711,248
Reinsurance premiums . . . . .	782,375
Claims expense. . . . .	15,719,363
ACA trans reinsurance fees . . . . .	93,681
Other operating expenses . . . . .	<u>42,816</u>
Total operating expenses. . . . .	<u>17,349,483</u>
Operating income. . . . .	<u>2,506,249</u>
<b>Non-operating revenues (expense):</b>	
Investment income . . . . .	914
Provider refunds. . . . .	257,550
Withdraw of members . . . . .	<u>(1,514,985)</u>
Total non-operating revenues (expense) . . . . .	<u>(1,256,521)</u>
Change in net position. . . . .	1,249,728
<b>Net position, January 1 . . . . .</b>	<u>312,557</u>
<b>Net position, December 31 . . . . .</b>	<u><u>\$ 1,562,285</u></u>

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

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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>Cash flows from operating activities:</b>	
Cash received from member contributions . . . . .	\$ 18,986,600
Cash received from rebates . . . . .	928,694
Cash received from COBRA participants . . . . .	61,091
Cash payments for claims . . . . .	(17,449,815)
Cash payments for administration . . . . .	(851,015)
Cash payments for insurance premiums . . . . .	(782,375)
Cash payments for other expenses . . . . .	(242,743)
	<hr/>
Net cash provided by operating activities . . . . .	650,437
 <b>Cash flows from noncapital financing activities:</b>	
Cash received from provider refunds . . . . .	257,550
Cash paid to members . . . . .	(1,514,985)
	<hr/>
Net cash used in noncapital financing activities . . . . .	(1,257,435)
 <b>Cash flows from investing activities:</b>	
Interest received . . . . .	914
	<hr/>
Net cash provided by investing activities . . . . .	914
	<hr/>
Net decrease in cash and cash equivalents . . . . .	(606,084)
<b>Cash and cash equivalents, January 1 . . . . .</b>	<b>5,290,549</b>
<b>Cash and cash equivalents, December 31 . . . . .</b>	<b>\$ 4,684,465</b>
	<hr/> <hr/>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 2,506,249
Adjustments to reconcile operating income	
Changes in assets and liabilities:	
Decrease/(increase) in member receivables . . . . .	1,528
Decrease/(increase) in other receivable . . . . .	117,390
(Decrease)/increase in accounts payable . . . . .	(246,013)
(Decrease)/increase in claims payable . . . . .	(1,159,952)
(Decrease)/increase in loss reserve . . . . .	(570,500)
(Decrease)/increase in prepaid premiums . . . . .	1,735
	<hr/>
Net cash provided by operating activities . . . . .	\$ 650,437
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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, 2016, 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, City of Defiance, Village of Fayette, City of Fremont, Village of Hicksville, City of Napoleon, City of Oberlin, City of Oregon, Sandusky County Board of Health, and Village of Hunting Valley.

**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 State of America (GAAP) as applies to local government units. The Governmental Accounting Standards Boards (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 the 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 YEAR ENDED DECEMBER 31, 2016

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. During 2016, BORMA invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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." The County 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 NAV per share that approximates fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows and for presentation of 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 costs 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 YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position

Net position represents the difference between assets and deferred outflows of resources 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 law, 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, 2016, all of BORMA's net position is considered unrestricted.

J. Subsequent Events

Management has evaluated subsequent events through June 28, 2017, 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 \$4,671,665 and the bank balance was \$4,672,765. 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      \$ 12,800

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, 2016, BORMA's deposits and investments had \$4,422,765 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 AAA 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 YEAR ENDED DECEMBER 31, 2016

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, 2016:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$4,671,665
Investments	<u>12,800</u>
Total	<u>\$4,684,465</u>
 <u>Cash and Investments on Statement of Net Position</u>	
Cash and cash equivalents	<u>\$4,684,465</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 New Position.

Deferred Enrollment Fees – beginning of year	\$ 0
Amount of enrollment fee recognized as income in 2016	<u>0</u>

Deferred Enrollment Fees	<u>\$ 0</u>
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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 \$782,375 in 2016.

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 payments 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 YEAR ENDED DECEMBER 31, 2016

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

The changes in BORMA’s reserve for claims/loss reserves for the fiscal years ended December 31, 2016 and 2015 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2015 - Restated	\$ 3,239,963	\$ 27,293,557	\$ 25,687,301	\$ 4,846,219
2016	\$ 4,846,219	\$ 15,719,363	\$ 17,449,815	\$ 3,115,767

NOTE 7 – WITHDRAWAL OF MEMBERS

The City of Clyde, City of Sandusky, City of Upper Sandusky, City of Willard, Corrections of Center of Northwest Ohio, Henry County, and Sandusky County Engineers withdraw their membership in the Pool effective December 31, 2015. Distributions totaling \$1,514,985 was made to these Cities in 2016 representing its share of the available cash reserves as of December 31, 2015.

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES

For 2016, BORMA has implemented GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of BORMA.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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**Julian & Grube, Inc.**  
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**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 the Buckeye Ohio Risk Management Association Benefits Pool, Inc. (BORMA), Defiance County, Ohio, (a not-for-profit corporation), as of and for the year ended December 31, 2016, 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, 2017.

***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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*.

***BORMA's Response to Finding***

BORMA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit BORMA's response and, accordingly, we express no opinion on it.

***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.



Julian & Grube, Inc.  
June 28, 2017

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

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2016-001

Significant Deficiency - Financial Statement Presentation:

BORMA presents its financial statements in accordance with the accrual basis of accounting using the economic measurement focus, similar to a business enterprise. Per Government Account Standards Board (GASB) codification sections 2200.170 - .195, the required financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Furthermore, these statements require the presentation of certain elements that were not included by BORMA.

The financial statements were updated to conform to GASB. In addition, certain items within the statement of cash flows and notes to the basic financial statements were also updated to accurately reflect the current year activity.

In general, an accounting and information system should be designed to present accurate financial statements that meet the criteria established by GASB.

We recommend BORMA consult with an outside accountant or its auditors to assist in preparing a financial report that follows GASB.

Client Response: The Treasurer will work with an outside accountant to update the financial reporting process at year-end.

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# Dave Yost • Auditor of State

**BORMA EMPLOYEE BENEFITS POOL**

**DEFIANCE 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 5, 2017**