

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

**DEFIANCE COUNTY, OHIO**

**Basic Financial Statements  
(Audited)**

**For the Year Ended  
December 31, 2019**





88 East Broad Street  
Columbus, Ohio 43215  
IPARReport@ohioauditor.gov  
(800) 282-0370

Board of Directors  
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, 2019 through December 31, 2019. 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.

Keith Faber  
Auditor of State  
Columbus, Ohio

September 23, 2020

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

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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 Directors:

### *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), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the BORMA's basic financial statements as listed in the table of contents.

### *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 the 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 the BORMA's internal control. Accordingly, we express no such 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 the overall financial statement presentation.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the BORMA, Defiance County, Ohio, as of December 31, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the BORMA. We did not modify our opinion regarding this matter.

***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 omitted information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2020, on our consideration of the 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 the BORMA's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
July 23, 2020



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2019

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, 2019. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole.

HIGHLIGHTS

The Agency's change in net position decreased by \$1,164,082. The total assets decreased by \$310,812. The loss reserve liability decreased by \$251,900.

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 2019. These statements include all assets, liabilities, 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 of Director'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

Year ended December 31, 2019

FINANCIAL ANALYSIS

**Net Position**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 7,570,069	\$ 7,880,881
Current and other liabilities	<u>2,170,603</u>	<u>2,667,247</u>
Unrestricted Net Position	<u>\$ 5,399,466</u>	<u>\$ 5,213,634</u>

**Change in Net Position**

Revenues		
Membership Contributions	\$ 17,512,619	\$ 20,482,080
Cobra Contributions	82,764	109,029
Rebates	602,318	514,055
Interest	43,598	23,736
Unrealized Gain/Loss	15,334	0
Short Term Gain/Loss	177	0
Provider Refunds	62,636	78,159
Excess Insurance	<u>247,609</u>	<u>0</u>
Total Revenues	<u>18,567,055</u>	<u>21,207,059</u>
Expenses		
Administration Fees	\$ 759,828	\$ 869,217
Claims Expenses	16,660,097	17,943,851
Insurance Premiums	811,806	920,898
ACA Trans Reinsurance Fees	30,251	30,108
Other	<u>119,241</u>	<u>93,071</u>
Total Expenses	<u>18,381,223</u>	<u>19,857,145</u>
Change in Net position	<u>\$ 185,832</u>	<u>\$ 1,349,914</u>

As previously noted, total assets decreased by \$310,812 or 4.11% in 2019. Total revenues decreased by \$2,640,004 and total expenses decreased by \$1,475,922.

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, 2019**

**Assets:**

Current assets:

Cash and cash equivalents . . . . .	\$ 3,996,715
Investments . . . . .	3,525,666
Other receivables . . . . .	<u>47,688</u>
Total current assets . . . . .	<u>7,570,069</u>
Total assets . . . . .	<u>7,570,069</u>

**Liabilities:**

Current liabilities:

Accounts payable . . . . .	25,903
Loss reserve (see Note 6). . . . .	<u>2,144,700</u>
Total current liabilities . . . . .	<u>2,170,603</u>
Total liabilities . . . . .	<u>2,170,603</u>

**Net position:**

Unrestricted. . . . .	<u>\$ 5,399,466</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, 2019

<b>Operating revenues:</b>	
Member contributions . . . . .	\$ 17,512,619
COBRA contributions. . . . .	82,764
RX Discount Credits . . . . .	145,339
Rebates . . . . .	<u>456,980</u>
Total operating revenues . . . . .	<u>18,197,702</u>
<b>Operating expenses:</b>	
Administrative fees . . . . .	759,829
Insurance premiums. . . . .	811,805
Claims expense. . . . .	16,660,097
ACA trans reinsurance fees . . . . .	30,251
Other operating expenses . . . . .	<u>117,744</u>
Total operating expenses. . . . .	<u>18,379,726</u>
Operating loss . . . . .	<u>(182,024)</u>
<b>Non-operating revenues (expenses):</b>	
Investment income . . . . .	43,775
Investment expenses . . . . .	(1,497)
Unrealized Gain/(Loss) . . . . .	15,333
Provider refunds. . . . .	<u>310,245</u>
Total non-operating revenues (expenses) . . . . .	<u>367,856</u>
Change in net position. . . . .	185,832
<b>Net position, January 1 . . . . .</b>	<u>5,213,634</u>
<b>Net position, December 31 . . . . .</b>	<u><u>\$ 5,399,466</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, 2019

<b>Cash flows from operating activities:</b>	
Cash received from member contributions . . . . .	\$ 17,512,616
Cash received from rebates/discounts . . . . .	696,644
Cash received from COBRA participants . . . . .	82,764
Cash payments for claims. . . . .	(17,156,737)
Cash payments for administration . . . . .	(759,829)
Cash payments for insurance premiums . . . . .	(811,806)
Cash payments for other expenses . . . . .	<u>(147,995)</u>
Net cash used in operating activities . . . . .	<u>(584,343)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from provider refunds . . . . .	<u>310,245</u>
Net cash provided by noncapital financing activities . . . . .	<u>310,245</u>
<b>Cash flows from investing activities:</b>	
Investments Purchase . . . . .	(3,500,000)
Interest received. . . . .	31,945
Net cash used in investing activities . . . . .	<u>(3,468,055)</u>
Net decrease in cash and cash equivalents . . . . .	(3,742,153)
<b>Cash and cash equivalents, January 1 . . . . .</b>	<u>7,738,868</u>
<b>Cash and cash equivalents, December 31 . . . . .</b>	<u><u>\$ 3,996,715</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (182,024)
Adjustments to reconcile operating loss	
Changes in assets and liabilities:	
Decrease/(increase) in other receivable . . . . .	94,325
(Decrease)/increase in accounts payable . . . . .	(244,740)
(Decrease)/increase in loss reserve . . . . .	(251,900)
(Decrease)/increase in unearned revenue . . . . .	<u>(4)</u>
Net cash used in operating activities . . . . .	<u><u>\$ (584,343)</u></u>

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, 2019

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, 2019, 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, 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 Rx discount credits. 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 unrealized gains/losses.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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 Directors 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

Cash received by the Pool is present as “cash and cash equivalents” on the statement of the net position.

During 2019, the Pool invested in STAR Ohio. STAR Ohio is an investment pool managed by the State treasurer’s office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Pool (GASB). Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Pool 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 a NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The Pool also invested funds in US Bank. These investments consist of Commercial Paper, U.S. Treasury Notes, U.S. Government Money Market Mutual Funds, Federal Home Loan Bank Notes, Negotiable Certificate of Deposits, Federal Farm Credit Bank Notes, and Federal Home Loan Mortgage Corporation Notes, and are stated at fair value. US Bank is registered with the SEC as a broker-dealer and investment advisor.

Interest earned during the year from US Bank, Key Bank, and STAR Ohio was \$43,775.

For presentation on the statement of net position and statement of cash flows, investments with original maturities of three months or less at the time they are purchased by the Pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Pool’s investment accounts at year end is provided in Note 3.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Reinsurance Receivables

Amounts recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses are reported as reinsurance receivables and as reductions of claims expenses. There were no reinsurance receivables during 2019.

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 Fees

Administrative fees 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.

I. Net Position

Net position represents the difference between assets and liabilities. 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, 2019, all of BORMA's net position is considered unrestricted.

J. Subsequent Events

Management has evaluated subsequent events through July 23, 2020, see note 8.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

There are no legal restrictions on the Pool's investments or deposits. However, the Pool has adopted as their investment policy the legal restrictions imposed by the Ohio Revised Code on certain political subdivisions. This policy requires the classification of monies held by the Pool into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Pool treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Pool has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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 must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Pool's deposits are 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 treasurer by the financial institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitation including a requirement for maturity within ten years from the date of settlement, bonds, and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-loan money market mutual fund consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Pool, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified representing the investments to the qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of the Pool’s deposits was \$2,929,600. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2019, \$2,679,600 of the Pool’s bank balance of \$2,947,451 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Pool will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Pool to a successful claim by the FDIC. The Pool has no deposit policy for custodial credit risk beyond the requirements of State statute.

B. Investments

As of December 31, 2019, the Pool had the following investments and maturities:

Measurement/Investment Type	Measurement Value	Less than 1 year	Less than 2 years	Less than 3 years	Greater than three years	% to Total
Fair Value:						
US Bank						
U.S. Treasury Note	450,416	450,416	0	0	0	9.81%
Commercial Paper	920,288	920,288	0	0	0	20.04%
Negotiable Certificates of Deposit	745,999	0	250,021	495,978	0	16.24%
Federal Home Loan Bank Notes	400,147	250,070	150,077	0	0	8.71%
Federal Farm Credit Bank Notes	292,911	0	124,964	167,947	0	6.38%
Federal Home Loan Mortgage Corporation Notes	499,170	0	0	0	499,170	10.87%
U.S. Government Money Market Mutual Funds	216,735	216,735	0	0	0	4.72%
Amortized Cost:						
STAR Ohio	1,067,117	1,067,117	0	0	0	23.23%
<b>Total</b>	<b>4,592,783</b>	<b>2,904,626</b>	<b>525,062</b>	<b>663,925</b>	<b>499,170</b>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

During the current period, the Pool invested in Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, U.S. Treasury Notes, Commercial Paper, U.S. Government Money Market Mutual Funds, and Negotiable Certificates of Deposits. During the year ended December 31, 2019 investments from all sources earned \$11,651 in interest and increased in value by \$15,333.

*Fair Value Measurements:* The Pool categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Pool's investments in money market accounts are valued using quoted market prices in active markets (Level 1 inputs). The Pool's investments in federal agency securities with US Bank (FHLB, FHLMCN, FFCB, Commercial Paper, U.S. Treasury Notes, and CD's) are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*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 Pool's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & poor's has assigned STAR Ohio m AAAM credit market rating. Standard & Poor's has assigned US Bank's federal securities an AA+ credit rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. BORMA's investments in commercial paper, money market accounts, negotiable CD's, and US Treasury notes were not rated. The Pool's investment policy does not specifically address credit risk beyond requiring the Pool to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pool 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 Pool's name. The Pool 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 the Credit Risk:* The Pool places no limit on the amount that may be invested in any one issuer. See the percentage in the table above.

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. During 2019 there were no new members entered into the Pool or any deferred inflows of resources.

NOTE 5 – REINSURANCE CEDED

BORMA reinsures certain risks with Sun Life Financial 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 \$247,610 in 2019.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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.

The changes in BORMA’s reserve for claims losses for the fiscal years ended December 31, 2019 and 2018 were as follows:

<b><u>Fiscal Year</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Claims</u></b>	<b><u>Payments</u></b>	<b><u>Ending Balance</u></b>
2018	\$ 2,927,600	\$ 17,943,851	\$ 18,204,208	\$ 2,396,600
2019	\$ 2,396,600	\$ 16,660,097	\$ 16,911,997	\$ 2,144,700

**NOTE 7 – WITHDRAWAL OF MEMBERS**

No members withdrew from the Pool during 2019.

**NOTE 8 – SUBSEQUENT EVENT**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Pool; however, the amount of losses and/or any recovery from emergency funding, if any, cannot be determined.

**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 Directors:

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, 2019, and the related notes to the financial statements, which collectively comprise the BORMA's basic financial statements and have issued our report thereon dated July 23, 2020, wherein we noted as discussed in Note 8 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the BORMA.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 the 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 the 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 2019-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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***

The BORMA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not subject the BORMA's response to the auditing procedures applied in the audit of the financial statements 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 the BORMA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the BORMA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
July 23, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2019-001

Significant Deficiency - Financial Statement Presentation:

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries and any entries that are recorded directly to the financial statements. For the Pool, this could also include reviewing the fiscal year-end general ledgers to ensure activity is reported in the correct line items.

Certain adjustments were made to the financial statements to properly account for the classification of investments.

- During 2019, the Pool invested in Federal Securities, US Treasury Notes, U.S. Government Money Market Mutual Funds, Commercial Paper and Negotiable Certificates of Deposits through US Bank. An adjustment was necessary to reclassify these investments from cash and cash equivalents to investments and properly disclose them.

Modifications were made to the financial statements and note disclosures to accurately reflect the activity of the Pool's investments.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Pool's activity.

We recommend the Pool design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Pool should consider having an additional outside third-party, or a Board member with financial experience, review the financial report prior to submission of their annual report on the Hinkle System. Further, the Pool should reach out to its auditor throughout the year if questions arise.

Client Response: The Pool will closely monitor all transactions to ensure accurate financial reporting in the future.

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# OHIO AUDITOR OF STATE KEITH FABER



**BORMA EMPLOYEE BENEFIT POOL, INC.**

**DEFIANCE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/6/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)