

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2008***

**ADAM MAXWELL, SECRETARY/TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Central Ohio Risk Management Association Self-Insurance Pool, Inc.  
c/o City of Westerville  
21 S. State Street  
Westerville, Ohio 43081

We have reviewed the *Independent Auditor's Report* of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, prepared by Julian & Grube, Inc., for the audit period October 1, 2007 through September 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Central Ohio Risk Management Association Self-Insurance Pool, Inc. is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 23, 2009

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**CENTRAL OHIO RISK MANAGEMENT ASSOCIATION SELF-INSURANCE POOL, INC.  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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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

Board of Trustees  
Central Ohio Risk Management Association Self-Insurance Pool, Inc.  
c/o City of Westerville  
21 S. State Street  
Westerville, OH 43081

We have audited the accompanying financial statements of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, Ohio, as of and for the fiscal year ended September 30, 2008, which collectively comprise the Central Ohio Risk Management Association Self-Insurance Pool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Ohio Risk Management Association Self-Insurance Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Central Ohio Risk Management Association Self-Insurance Pool as of September 30, 2008, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2009, on our consideration of the Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.  
February 6, 2009

## CORMA SELF-INSURANCE POOL, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

The management's discussion and analysis of the Central Ohio Risk Management Association (CORMA) Self-Insurance Pool, Inc.'s (the "Association") financial performance provides an overall review of the Association's financial activities for the fiscal year ended September 30, 2008. The intent of this discussion and analysis is to look at the Association's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Association's financial performance.

#### Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- The Association hired Wichert Insurance Services, Inc. as claims administrator effective September 1, 2008 in order to evaluate and prepare information for this report. Wichert Insurance Services, Inc. will handle past and future claims. Wichert Insurance Services, Inc. assumed the insurance brokerage responsibility effective October 1, 2008.
- The Association has hired an independent actuary, Financial Risk Analysts, LLC, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves was \$846,026 at September 30, 2008, compared to \$426,448 at September 30, 2007.
- The Association had operating revenues of \$1,196,832 and operating expenses of \$1,494,719 for fiscal year 2008. The Association had \$33,069 in interest revenue and received \$11,252 in refunds and reimbursements. Operating loss and the decrease in net assets for the fiscal year was \$297,887 and \$253,566, respectively.

#### Using these Basic Financial Statements

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

#### Reporting the Association Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2008?" The statement of net assets and the statement of revenues, expenses, and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets and the statement of revenues, expenses and changes in net assets report the Association's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Association as a whole, the *financial position* of the Association has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Association's statement of net assets and statement of revenues, expenses, and changes in net assets can be found on pages 7-8 of this report.

The statement of cash flows provides information about how the Association's finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**CORMA SELF-INSURANCE POOL, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-15 of this report.

***Required Supplementary Information***

Ten years of loss development information can be found on pages 16-17 of this report.

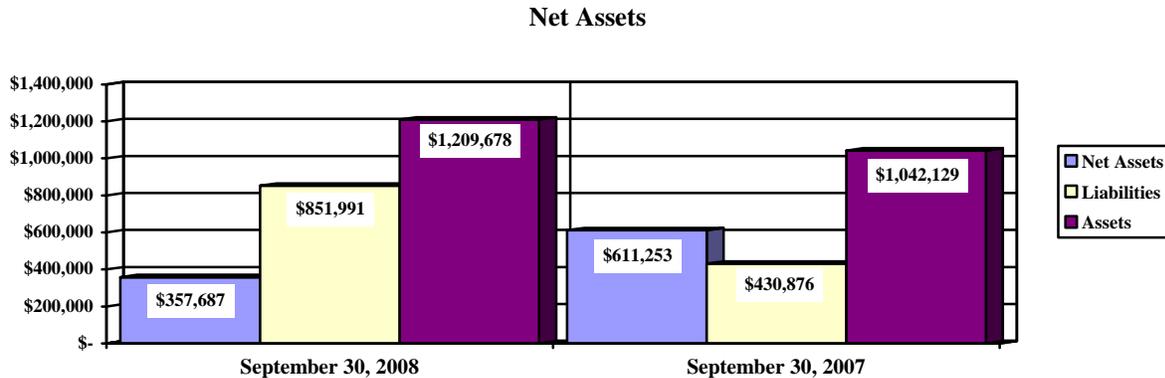
**Net Assets and Changes in Net Assets**

The table below provides a summary of the Association's net assets for fiscal years 2008 and 2007.

	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,209,678	\$ 1,042,129
Total assets	<u>1,209,678</u>	<u>1,042,129</u>
<b><u>Liabilities:</u></b>		
Accounts payable and accrued expenses	5,965	4,428
Loss and loss adjustment expense reserves	<u>846,026</u>	<u>426,448</u>
Total liabilities	<u>851,991</u>	<u>430,876</u>
<b><u>Net Assets:</u></b>		
Unrestricted	<u>357,687</u>	<u>611,253</u>
Total net assets	<u>\$ 357,687</u>	<u>\$ 611,253</u>

Net assets decreased by \$253,566 from the prior fiscal year primarily due to an increase in the loss and loss adjustment expenses, net of \$367,628.

The chart below shows a breakdown of the Associations assets, liabilities and net assets for 2008 and 2007:



**CORMA SELF-INSURANCE POOL, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

The table below shows the changes in net assets for fiscal years 2008 and 2007.

	<u>2008</u>	<u>2007</u>
<b><u>Revenues:</u></b>		
Insurance premiums	\$ 530,391	\$ 551,104
Loss fund contributions	490,000	490,000
Claims handling fees	102,500	100,500
Administrative and professional fees	<u>73,941</u>	<u>71,016</u>
Total revenue	<u>1,196,832</u>	<u>1,212,620</u>
<b><u>Expenses:</u></b>		
Loss and loss adjustment expenses, net	786,734	419,106
Insurance premiums	530,391	551,104
Administration fees	63,116	51,287
Claims handling fees	102,500	100,500
Professional fees	11,776	21,488
Miscellaneous expenses	<u>202</u>	<u>183</u>
Total expenses	<u>1,494,719</u>	<u>1,143,668</u>
Operating income (loss)	<u>(297,887)</u>	<u>68,952</u>
<b><u>Nonoperating revenues:</u></b>		
Interest	33,069	42,606
Refunds and reimbursements	<u>11,252</u>	<u>28,816</u>
Total nonoperating revenues	<u>44,321</u>	<u>71,422</u>
Change in net assets	(253,566)	140,374
Net assets, October 1	<u>611,253</u>	<u>470,879</u>
Net assets, September 30	<u>\$ 357,687</u>	<u>\$ 611,253</u>

Net assets were primarily affected by the fluctuation in the estimated loss and loss adjustment expense reserves reported at September 30, 2008 and 2007 of \$846,026 and \$426,448, respectively. Fluctuations in this liability are reported as a component of the loss and loss adjustment expenses, net for each respective year. The fluctuation in the loss and loss adjustment expenses, net, between 2008 and 2007 resulted from differences between actuarial estimates of provisions for insured events from the current and prior years.

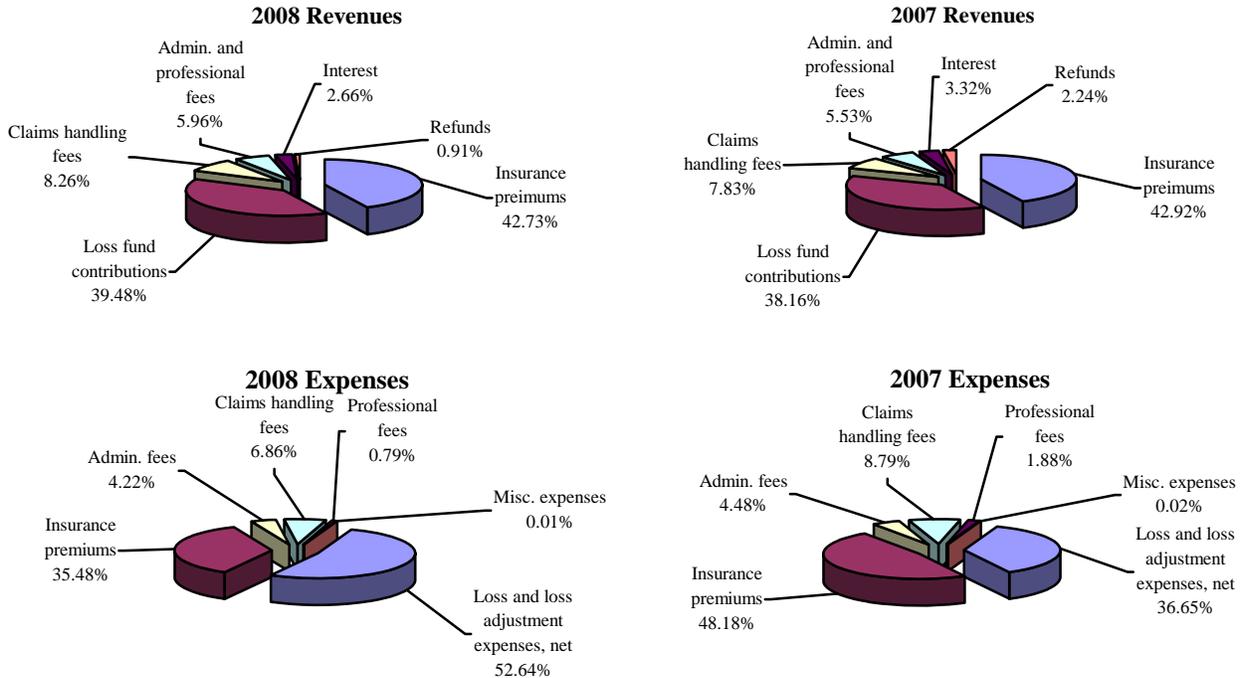
Interest revenue decreased 22.38% from fiscal year 2007 due to lower interest rates and the Association received fewer refunds and reimbursements in fiscal year 2008 versus fiscal year 2007. These amounts have been reported as nonoperating revenue.

All other fiscal year 2008 revenue and expense amounts were consistent with fiscal year 2007.

**CORMA SELF-INSURANCE POOL, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

The charts below reflect the percentage of the revenues and expenses in fiscal years 2008 and 2007:



**Capital Assets and Debt Administration**

At September 30, 2008 the Association had no capital assets or outstanding debt obligations.

**Current Financial Related Activities**

The Association is committed to providing its member cities with the advantages of a large buying cooperative, while maintaining control by the local city leadership. Since its inception, the Association has added one additional member to the Association, and will continue to look at other members who meet the established criteria. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Association is committed to protecting the long-term financial interests of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

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

**Contacting the Association's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Adam Maxwell, Secretary/Treasurer, 21 South State Street, Westerville, Ohio 43081 or by calling (614) 901-6407.

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**CORMA SELF-INSURANCE POOL, INC.**

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

	<u>2008</u>
<b>Assets:</b>	
Cash and cash equivalents . . . . .	<u>\$ 1,209,678</u>
Total assets. . . . .	<u>1,209,678</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses . . . . .	5,965
Loss and loss adjustment expense reserves (see Note 6). . . . .	<u>846,026</u>
Total liabilities. . . . .	<u>851,991</u>
<b>Net assets:</b>	
Unrestricted . . . . .	<u>357,687</u>
Total net assets . . . . .	<u><u>\$ 357,687</u></u>

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

**CORMA SELF-INSURANCE POOL, INC.**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	2008
<b>Operating revenues:</b>	
Member contributions:	
Insurance premiums . . . . .	\$ 530,391
Loss fund contributions . . . . .	490,000
Claims handling fees . . . . .	102,500
Administrative fees. . . . .	73,941
	1,196,832
Total operating revenues . . . . .	1,196,832
<b>Operating expenses:</b>	
Loss and loss adjustment expenses, net (see Note 7) . . . . .	786,734
Insurance premiums . . . . .	530,391
Administration fees. . . . .	63,116
Claims handling fees . . . . .	102,500
Professional fees . . . . .	11,776
Miscellaneous expenses . . . . .	202
	1,494,719
Total operating expenses . . . . .	1,494,719
Operating loss . . . . .	(297,887)
<b>Nonoperating revenues:</b>	
Interest . . . . .	33,069
Refunds and reimbursements. . . . .	11,252
	44,321
Total nonoperating revenues . . . . .	44,321
Change in net assets. . . . .	(253,566)
<b>Net assets, October 1.</b> . . . . .	611,253
<b>Net assets, September 30.</b> . . . . .	\$ 357,687

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

**CORMA SELF-INSURANCE POOL, INC.**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	2008
<b>Cash flows from operating activities:</b>	
Cash received from members . . . . .	\$ 1,193,907
Cash payments to suppliers for services. . . . .	(703,321)
Cash payments for covered losses. . . . .	(367,156)
Cash payments for miscellaneous expenses . . . . .	(202)
	123,228
 <b>Cash flows from noncapital financing activities:</b>	
Cash received from refunds and reimbursements . . . . .	11,252
	11,252
 <b>Cash flows from investing activities:</b>	
Interest received. . . . .	33,069
	33,069
Net cash provided by investing activities . . . . .	33,069
Net increase in cash and cash equivalents . . . . .	167,549
 <b>Cash and cash equivalents, October 1. . . . .</b>	<b>1,042,129</b>
<b>Cash and cash equivalents, September 30. . . . .</b>	<b>\$ 1,209,678</b>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ (297,887)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in accounts payable . . . . .	1,537
Increase in loss and loss adjustment expense reserves . . . . .	419,578
	421,115
Net cash provided by operating activities . . . . .	<b>\$ 123,228</b>

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

## CORMA SELF-INSURANCE POOL, INC.

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

#### NOTE 1 - DESCRIPTION OF THE ENTITY

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

##### B. Fund Accounting

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

##### C. Basis of Accounting/Measurement Focus

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

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

**CORMA SELF-INSURANCE POOL, INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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

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

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from charges to members for insurance premiums, loss fund contributions, claims handling fees and administrative fees. Operating expenses for the Association include the payment of loss and loss adjustment expenses, insurance premiums, administrative fees, claims handling fees, professional fees and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenue of the Association is investment income and, during fiscal year 2008, the Association received refund and reimbursements which have been reported as nonoperating revenues.

**D. Assets, Liabilities and Net Assets**

***Cash:***

For purposes of reporting cash flows, the Association considers all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

***Receivables:***

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables in excess of 90 days are evaluated for the ability to collect them and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The Association has no receivables at September 30, 2008.

***Loss and loss adjustment expense reserves:***

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

**CORMA SELF-INSURANCE POOL, INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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

*Net assets:*

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

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

**E. Revenues and Expenses**

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

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

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

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

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

*Insurance coverage:*

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

The Association has an agreement with a company to administer claims and loss control. During fiscal year 2008, the Association used Frank Gates/Avizent as their claims administrator and Financial Risk Analysts, LLC as their independent actuary. The Association hired Wichert Insurance Services, Inc. as claims administrator effective September 1, 2008 in order to evaluate and prepare information for this report. Wichert Insurance Services, Inc. will handle past and future claims. Wichert Insurance Services, Inc. will assume the insurance brokerage responsibility effective October 1, 2008.

**CORMA SELF-INSURANCE POOL, INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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

**F. Cash and Cash Equivalents**

The Association maintains three individual accounts: a claims fund, a loss fund and an administrative fund. Each separate account is a depository account with a financial institution. The total of the three depository accounts are presented on the statement of net assets as "Cash and Cash Equivalents". The Association does not maintain any investments.

**G. Budgetary Process**

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

**H. Estimates**

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

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Compliance with finance-related legal and contractual provisions:*

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

**NOTE 4 - CASH AND INVESTMENTS**

The Treasurer of the Association pools all available cash of the Association for investment purposes.

During fiscal 2008, deposits maintained by the Association in financial institutions were covered by the Federal Deposit Insurance Corporation or were exposed to custodial credit risk.

At September 30, 2008, the carrying amount of the Association's deposits was \$1,209,678. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of September 30, 2008, \$1,116,048 of the Association's bank balance of \$1,216,048 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Association's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Association.

The Association had no investments at September 30, 2008.

**CORMA SELF-INSURANCE POOL, INC.**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

**NOTE 5 - INSURANCE COVERAGES**

For the fiscal year ended September 30, 2008, the Association provided the following insurance coverage:

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

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

**NOTE 6 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES**

The Association established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and related loss adjustment expenses. The claims liability as required by GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", was provided by the Associations independent actuary, Financial Risk Analysts, LLC for the fiscal year ended 2008 and Willis Casualty Actuarial Practice, for the fiscal year ended 2007.

The changes in the aggregate liabilities for the Association for the fiscal years ended September 30, 2008 and 2007 were as follows:

Unpaid loss and loss adjustment expense reserves, beginning	\$ 426,448	\$ 204,000
Incurred loss and loss adjustment expenses, provision for insured events of the current period	668,835	249,791
Increase (decrease) in provision for insured events of the prior years	117,899	169,315
Total incurred loss and loss adjustment expenses	786,734	419,106
Payments:		
Loss and loss adjustment expenses attributable to insured events of the current year	154,843	42,079
Loss and loss adjustment expenses paid attributable to insured events of prior years	212,313	154,579
Total payments	367,156	196,658
Unpaid loss and loss adjustment expense reserves, ending	\$ 846,026	\$ 426,448

**CORMA SELF-INSURANCE POOL, INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 7 - LOSS AND LOSS ADJUSTMENT EXPENSES, NET**

For fiscal year 2008 and 2007, the Association reported loss and loss adjustment expenses, net of \$786,734 and \$419,106, respectively. The higher expense for 2008 is the result of differences between actuarial estimates of provisions for insured events from the prior years. The Association's independent actuary for fiscal year 2008 was Financial Risk Analysts, LLC and the Association's independent actuary for fiscal year 2007 was Willis Casualty Actuarial Practice.

The \$419,578 increase in the loss and loss adjustment expense reserves from September 30, 2007 to September 30, 2008 is reflected in the fiscal year 2008 loss and loss adjustment expenses, net as reported on the Statement of Revenues, Expenses and Changes in Net Assets. For fiscal year 2008, actual claims payments for covered losses were \$367,156 as reported on the Statement of Cash Flows.

**NOTE 8 - CLAIMS ADMINISTRATION**

The Association has entered into agreements with companies for the purpose of claims administration, claims adjustments, loss control and Association administration. For the fiscal year ended September 30, 2008, the amounts charged to expense were as follows:

	<u>2008</u>
Administration fees	\$ 63,116
Claims handling fees	<u>102,500</u>
	<u>\$ 165,616</u>

**NOTE 9 - CONTINGENCIES**

***General:***

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

***Concentration by geographic location and industry:***

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

Association membership is limited to municipalities.

REQUIRED SUPPLEMENTARY INFORMATION

**CORMA SELF-INSURANCE POOL, INC.**

**TEN-YEAR LOSS DEVELOPMENT INFORMATION**

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

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

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. The Association has not provided loss development information for the fiscal year ended September 30, 1999. Loss development information for the fiscal years ended September 30, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001 and 2000 is as follows:

**CORMA SELF-INSURANCE POOL, INC.**

**TEN-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)**

	----- Fiscal and Accident Year Ended September 30, -----									
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>1. Premiums, investment and other income</b>	N/A	\$451,825	\$540,252	\$744,226	\$946,220	\$1,024,263	\$1,050,567	\$1,147,024	\$1,284,042	\$1,241,153
<b>2. Unallocated expenses</b>	N/A	329,813	364,442	397,189	600,867	625,959	678,928	656,874	724,562	707,985
<b>3. Estimated losses incurred and expense, end of year</b>	N/A	161,980	194,075	360,387	413,417	426,125	517,525	225,754	249,791	668,835
<b>4. Paid, cumulative as of:</b>										
End of accident year	N/A	35,268	106,567	60,285	103,457	106,858	129,963	150,025	42,079	154,843
One year later	N/A	128,780	118,989	138,791	216,765	299,481	307,368	193,629	78,701	-
Two years later	N/A	128,780	167,501	160,402	236,662	256,091	340,304	185,533	-	-
Three years later	N/A	125,000	171,482	170,898	325,000	271,699	351,229	-	-	-
Four years later	N/A	125,000	183,000	222,725	387,431	414,030	-	-	-	-
Five years later	N/A	128,750	183,000	222,725	470,283	-	-	-	-	-
Six years later	N/A	128,750	183,000	170,404	-	-	-	-	-	-
Seven years later	N/A	128,750	183,000	-	-	-	-	-	-	-
Eight years later	N/A	128,750	-	-	-	-	-	-	-	-
<b>5. Re-estimated incurred losses and expense:</b>										
End of accident year	N/A	161,980	194,075	360,387	413,417	426,125	517,525	225,754	249,791	668,835
One year later	N/A	128,780	183,000	265,440	382,872	496,406	329,171	204,449	297,651	-
Two years later	N/A	128,780	183,000	246,988	394,409	292,559	377,713	185,533	-	-
Three years later	N/A	125,000	183,000	238,434	375,000	332,815	439,313	-	-	-
Four years later	N/A	125,000	183,000	222,725	471,822	414,030	-	-	-	-
Five years later	N/A	128,750	183,000	222,725	470,283	-	-	-	-	-
Six years later	N/A	128,750	183,000	170,404	-	-	-	-	-	-
Seven years later	N/A	128,750	183,000	-	-	-	-	-	-	-
Eight years later	N/A	128,750	-	-	-	-	-	-	-	-
<b>6. Increase (decrease) in estimated incurred losses and expenses from end of accident year</b>	N/A	(33,230)	(11,075)	(189,983)	56,866	(12,095)	(78,212)	(40,221)	47,860	-

N/A = Information not available.

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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

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Central Ohio Risk Management Association Self-Insurance Pool, Inc.  
c/o City of Westerville  
21 S. State Street  
Westerville, OH 43081

We have audited the financial statements of Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, Ohio, as of and for the fiscal year ended September 30, 2008, which collectively comprise Central Ohio Risk Management Association Self-Insurance Pool's basic financial statements and have issued our report thereon dated February 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central Ohio Risk Management Association Self-Insurance Pool's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Central Ohio Risk Management Association Self-Insurance Pool's financial statements that is more than inconsequential will not be prevented or detected by Central Ohio Risk Management Association Self-Insurance Pool's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Central Ohio Risk Management Association Self-Insurance Pool's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Ohio Risk Management Association Self-Insurance Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Trustees of Central Ohio Risk Management Association Self-Insurance Pool, Inc. and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
February 6, 2009



**Mary Taylor, CPA**  
Auditor of State

**CENTRAL OHIO RISK MANAGEMENT ASSOCIATION SELF-INSURANCE POOL, INC.**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2009**