

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION**

FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA

Auditor of State

Board of Trustees
BORMA, Inc. - Property and Liability Insurance Division
P.O. Box 367
Willard, Ohio 44890

We have reviewed the *Independent Auditors' Report* of the BORMA, Inc. - Property and Liability Insurance Division, Huron County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2008 through December 31, 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 BORMA, Inc. - Property and Liability Insurance Division is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 6, 2010

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BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
BORMA, Inc. - Property and Liability
Insurance Division
C/O City of Willard
631 S. Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

We have audited the accompanying statement of cash receipts, cash disbursements and changes in fund cash and investments balance of BORMA, Inc. - Property and Liability Insurance Division ("BORMA") as of and for the year ended December 31, 2008. This financial statement is the responsibility of BORMA's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BORMA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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.

As discussed in Note 1, the financial statement presents only the property and liability insurance division of BORMA, Inc., and does not purport to, and does not, present fairly the fund cash and investments balance of BORMA, Inc., as of December 31, 2008, and its cash receipts and cash disbursements for the year then ended in conformity with the basis of accounting described in Note 1.

As described more fully in Note 1, BORMA has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States. Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and accounting practices generally accepted in the United States, we presume they are material.

Board of Trustees
BORMA, Inc. - Property and Liability
Insurance Division
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In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of BORMA, Inc. - Property and Liability Insurance Division as of December 31, 2008, or its changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the fund cash and investments balance of BORMA, Inc. - Property and Liability Insurance Division as of December 31, 2008, and its cash receipts and cash disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, on our consideration of BORMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

Handwritten signature of Walter O'Brien in cursive script.

December 15, 2009

**BORMA, Inc. - Property and Liability
Insurance Division**
*Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash and Investments Balance
Year Ended December 31, 2008*

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Operating Receipts	
Member Contributions	\$1,309,329
Claim Reimbursements	190,338
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<i>Total Operating Receipts</i>	<i>1,499,667</i>
Operating Disbursements	
Insurance Premiums for Coverages	776,149
Claims Paid	740,543
Professional Fees	14,194
Service Fees	2,146
	<hr/>
<i>Total Operating Disbursements</i>	<i>1,533,032</i>
<i>Excess of Operating Disbursements over Operating Receipts</i>	<i>(33,365)</i>
Non-Operating Receipts (Disbursements)	
Advance to Member	(22,664)
Return of Advance to Member	80,000
Interest Income	34,427
Refund of Prior Year Premiums	26,400
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>118,163</i>
<i>Change in Fund Cash and Investments Balance</i>	<i>84,798</i>
<i>Fund Cash and Investments Balance - Beginning of Year</i>	<i>1,101,926</i>
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<i>Fund Cash and Investments Balance - End of Year</i>	<i>\$1,186,724</i>
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The accompanying notes are an integral part of this financial statement.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO FINANCIAL STATEMENT
Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

BORMA, Inc. (Buckeye Ohio Risk Management Agency, Inc.) is an Ohio not-for-profit corporation organized under Section 2744.081 of the Ohio Revised Code for the public purpose of enabling its six member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the BORMA, Inc. - Property and Liability Insurance Division pool (the "Organization") provides coverage for automobile liability, general liability, crime and property (including automobile physical damage), law enforcement liability, ambulance attendant's liability, miscellaneous errors and omissions, property claims, and public official's liability. In addition to the self-insurance pool, the Organization provides risk management services, loss prevention programs and various other educational material. The members of the Organization include the following municipalities within the State of Ohio: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. The Organization does not have financial accountability over any entities as defined by GASB Statement No. 14.

BORMA, Inc. has, in addition to the property and liability insurance division, a health insurance division. Members do not have to be part of both divisions. The accounting records are maintained separately and, therefore, the accompanying financial statement has excluded the health insurance division.

Basis of Accounting

This financial statement is prepared using an other comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. Except for modifications having substantial support, receipts are recorded in the Organization's financial records when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Organization are described in the appropriate section in this note. All transactions are accounted for in a single enterprise fund.

Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Securities subject to repurchase agreements are valued at cost.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO FINANCIAL STATEMENT, CONTINUED
Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Member and Supplemental Contributions

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of the Organization and to create reserves for claims and unallocated loss adjustment expenses. 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 Organization 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.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of cash receipts and disbursements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Loss Reserve

Provisions for claims reserves and loss adjustment expenses (Note 6) are based on information reported by members and are calculated by the Organization's claims administrator. These amounts represent an estimate of reported unpaid claims, plus a provision for claims incurred and not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. The Organization's management believes that the claims reserve is reasonable in the circumstances; however, actual incurred losses may not conform to the assumptions inherent in the determination of the reserve. Accordingly, the ultimate settlement of losses may vary materially from the estimated amounts disclosed in Note 6. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

Reinsurance

The Organization is a member of Public Entity Risk Consortium, a public entity risk-sharing pool which functions as a reinsurer for its member entities. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Organization as direct insurer of the risks reinsured. The Organization is contingently liable with respect to certain loss coverage which would become a liability in the event these insurance carriers are unable to meet the obligations under these reinsurance contracts.

BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO FINANCIAL STATEMENT, CONTINUED
Year Ended December 31, 2008

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The carrying amount of the Organization's cash and investments at December 31, 2008 was as follows:

Demand Deposits	\$ 105,210
Repurchase Agreement	364,000
STAROhio	<u>717,514</u>
Total Fund Cash and Investments	<u>\$1,186,724</u>

Deposits

At December 31, 2008, the carrying amount of the Organization's deposits was \$105,210 and the bank balance was \$116,691. At year end, the Organization's bank balance of \$116,691 was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Organization's name.

Investments

The Organization has invested in State Treasury Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows subdivisions of the State to pool their funds for investment purposes.

Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2008. The investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Securities subject to repurchase agreements are held in book entry form by the financial institutions in its name or by its agent in the name of the Organization.

NOTE 3 - SELF-INSURED RETENTION

The Organization retains responsibility of claims within specified self-insured retention limits prior to the application of coverage provided by excess reinsurance contracts. The Organization's per-occurrence retention limit is \$150,000 for all claims. The Organization is a member of the Public Entity Risk Consortium ("PERC") pool. Under PERC, member entities maintain their present retention structure and the present retention effectively becomes a maintenance deductible under PERC. PERC then self-insures a primary portion over individual member retentions up to \$250,000 per occurrence for property coverages and \$500,000 for liability coverages. PERC has a stop loss retention of \$1,750,000 per year, purchasing excess insurance coverage above its retention.

BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO FINANCIAL STATEMENT, CONTINUED
Year Ended December 31, 2008

NOTE 4 - EXCESS INSURANCE CONTRACTS

The Organization maintains excess insurance contracts with insurance carriers (including PERC) which provide various limits of coverage of the Organization's self-insured retention limits.

In the event that a series of losses or a single loss should exceed the aggregate amount of coverage provided by the self-insurance fund and the excess reinsurance, then the payment of any noncovered loss and any amount of supplementary payments for which the member is obligated is the obligation of the individual member or members against which the claim or claims were made.

NOTE 5 - RELATED PARTY TRANSACTIONS

In January 2005, the Organization approved the advance of \$108,000 to a member city for defense of a claim against that member city. The entire amount of the advance was expensed in 2005. In February 2008, the member city repaid \$80,000 of the advance to the Organization. The remaining \$28,000 of the advance is considered claims expense and therefore does not require reimbursement by the member city.

In August 2008, the Organization approved the advance of \$22,664 to a member city for defense of a claim against that member city. The entire amount of the advance was expensed. The advance is expected to be repaid by the member city and/or its general liability insurance.

NOTE 6 - LOSS RESERVE

As discussed in Note 1, the Organization's loss reserve (not recorded in the accompanying financial statement) includes both reported and unreported insured events and estimated future payments of losses and related loss adjustment expenses. The actuarially estimated loss reserve for the Organization as of December 31, 2008 was \$783,905. The amount available to pay claims at December 31, 2008 was \$1,186,724.



**INDEPENDENT AUDITORS' 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
BORMA, Inc. - Property and Liability
Insurance Division
C/O City of Willard
631 S. Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

We have audited the financial statement of BORMA, Inc. - Property and Liability Insurance Division (the "Organization") as of and for the year ended December 31, 2008, and have issued our report thereon dated December 15, 2009, wherein we noted that the Organization prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States. Our report also noted that the financial statement presents only the property and liability insurance division of BORMA, Inc., and does not purport, and does not, present fairly the fund cash and investments balance of BORMA, Inc., as of December 31, 2008, and its cash receipts and cash disbursements for the year then ended. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 BORMA, Inc. - Property and Liability Insurance Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes or permits such that there is more than a remote likelihood that a misstatement of the Organization's financial statement that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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 statement will not be prevented or detected by the Organization'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 BORMA, Inc. - Property and Liability Insurance Division'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of and use of the Board of Trustees, management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



December 15, 2009



Mary Taylor, CPA
Auditor of State

BORMA INC. – PROPERTY AND LIABILITY INSURANCE DIVISION

HURON 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
JANUARY 19, 2010**