

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
BORMA, Inc.-Property and Liability Insurance Division
255 W. Riverview Ave.
P.O. Box 151
Napoleon, Ohio 43545-0151

We have reviewed the *Independent Auditor's Report* of the BORMA, Inc.-Property and Liability Insurance Division, Henry County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2004 through December 31, 2004. 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 BORMA, Inc.-Property and Liability Insurance Division is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 16, 2005

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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 Napoleon
255 W. Riverview Drive
P.O. Box 151
Napoleon, Ohio 43545

We have audited the accompanying statement of net assets – cash basis of BORMA, Inc. - Property and Liability Insurance Division (“BORMA”) as of December 31, 2004, and the related statement of activities – cash basis, for the year then ended, which collectively comprise BORMA’s cash basis financial statements. These financial statements are the responsibility of BORMA'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 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 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 described in Note 1, BORMA prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – cash basis of BORMA as of December 31, 2004, and the changes in its financial position – cash basis for the year then ended on the basis of accounting described in Note 1.

As described in Note 2, BORMA has implemented a new financial reporting model, similar to that required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis-For State and Local Governments*, as of and for the year ended December 31, 2004.

Board of Trustees
BORMA, Inc. - Property and Liability
Insurance Division
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The management's discussion and analysis and claims development information on pages 3 through 5 and page 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Similarly, the list of insurers on page 14 is not a required part of the basic financial statements but is supplementary information provided by management for additional analysis. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Weber-O'Brien & Co.

April 18, 2005

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

Management's Discussion and Analysis For Year Ended December 31, 2004 Unaudited

The discussion and analysis of BORMA, Inc. - Property and Liability Insurance Division (BORMA)'s financial performance provides an overall review of BORMA's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at BORMA's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of BORMA's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

BORMA's activities are all accounted for in a single proprietary fund.

Net assets decreased \$17,900 to \$601,500.

Member contributions accounted for \$1,313,300 (93%) of all revenues, which were \$1,409,500. Disbursements for excess reinsurance premiums were \$811,800 (57%) of total operating disbursements, while claims paid were \$525,100 (37%) with total operating disbursements being \$1,427,400.

Using the Basic Financial Statements

This annual report consists of financial statements and notes to those statements. The statements are organized so the reader can understand BORMA as a financial whole, or as an entire operating entity. BORMA is a single enterprise fund using the cash basis of accounting. The statement of net assets - cash basis and the statement of activities - cash basis provide information about the cash basis financial position and activities of BORMA, presenting both an aggregate view of BORMA's finances and a longer-term view of those finances.

BORMA as a Whole

Table 1 provides a summary of BORMA's net assets as of December 31, 2004. A comparative analysis is not provided because this is the first year using the cash basis of accounting. Comparative figures are not available for December 31, 2003. A comparative analysis will be provided in future years when prior year information is available.

Table 1
Net Assets

| | <u>12/31/2004</u> |
|-------------------------|-------------------|
| <u>Assets:</u> | |
| Cash and Investments | <u>\$601,551</u> |
| <u>Net Assets:</u> | |
| Unrestricted Net Assets | <u>\$601,551</u> |

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

**Management's Discussion and Analysis
For Year Ended December 31, 2004
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for 2004. A comparative analysis is not provided because this is the first year using the cash basis of accounting. Comparative figures are not available for the year ended December 31, 2003. A comparative analysis will be provided in future years when prior year information is available.

**Table 2
Change in Net Assets**

| | <u>2004</u> |
|---|-------------------|
| <u>Operating Receipts:</u> | |
| Member Contributions | \$1,313,312 |
| Claim Deductible Recoveries | 83,544 |
| Claim Reimbursements | 5,780 |
| Total Operating Receipts | <u>1,402,636</u> |
| <u>Operating Disbursements:</u> | |
| Insurance Premiums for Coverage | 811,784 |
| Claims Paid | 525,130 |
| Administrative, Professional, and Service Fees | 90,442 |
| Total Operating Disbursements | <u>1,427,356</u> |
| Excess of Operating Disbursements over Receipts | (24,720) |
| <u>Non-Operating Receipts:</u> | |
| Investment Earnings | <u>6,820</u> |
| Decrease in Net Assets | <u>(\$17,900)</u> |

The position of member contributions as the primary revenue source supporting the agency's insurance activities is apparent. Approximately 93 percent of operating receipts are member contributions for insurance premiums and claims costs. Member contributions are determined each year by the governing board of BORMA in conjunction with consulting specialists.

BORMA, INC. - PROPERTY AND LIABILITY INSURANCE DIVISION

Management's Discussion and Analysis For Year Ended December 31, 2004 Unaudited (Continued)

Current Issues

Member contributions required for insurance premiums were approved at the September 2004 board meeting to be increased for the coverage period October 1, 2004 to September 30, 2005, reflecting premiums increases upon renewal. Required member contributions to fund claims costs not covered by excess reinsurance policy coverage for that period were voted to remain the same as was used in the period ended September 30, 2004. The board is anticipating that BORMA's net assets will remain stable, but required member contributions will continue to be reviewed on an annual basis.

Contacting BORMA's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of BORMA's finances and to reflect BORMA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Greg Heath, Treasurer, Buckeye Ohio Risk Management Association - Property and Casualty Pool, c/o City of Napoleon, 255 W. Riverview Drive, P.O. Box 151, Napoleon, Ohio 43545.

**BORMA, Inc. - Property and Liability
Insurance Division**
Statement of Net Assets - Cash Basis
December 31, 2004

| | |
|----------------------|------------------|
| Assets | |
| Cash and Investments | <u>\$601,551</u> |
| Net Assets | |
| Unrestricted | <u>\$601,551</u> |

The accompanying notes are an integral part of the basic financial statements.

**BORMA, Inc. - Property and Liability
Insurance Division**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2004*

| | |
|--|-------------------------|
| Operating Receipts | |
| Member Contributions | \$1,313,312 |
| Claim Deductible Recoveries | 83,544 |
| Claim Reimbursements | <u>5,780</u> |
| <i>Total Operating Receipts</i> | <u>1,402,636</u> |
| Operating Disbursements | |
| Insurance Premiums for Coverages | 811,784 |
| Claims Paid | 525,130 |
| Administrative Fees | 48,200 |
| Professional Fees | 41,885 |
| Service Fees | <u>357</u> |
| <i>Total Operating Disbursements</i> | <u>1,427,356</u> |
| <i>Excess of Operating Disbursements over Operating Receipts</i> | (24,720) |
| Non-Operating Receipts/(Disbursements) | |
| Interest Income | <u>6,820</u> |
| <i>Change in Net Assets</i> | (17,900) |
| <i>Net Assets Beginning of Year</i> | <u>619,451</u> |
| <i>Net Assets End of Year</i> | <u><u>\$601,551</u></u> |

The accompanying notes are an integral part of the basic financial statements.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO CASH BASIS FINANCIAL STATEMENTS
Year Ended December 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

BORMA Inc. (the Buckeye Ohio Risk Management Agency, Inc.) ("the Organization") 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 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 officials 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, these financial statements have excluded the health insurance division.

Basis of Accounting

These financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. All transactions are accounted for in a single enterprise fund.

The Organization follows the provisions of GASB Statement No. 10, "Accounting and Reporting for Risk Financing and Related Insurance Issues" and GASB Statement No. 30, "An Amendment of GASB No. 10," as applicable.

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.

Investments are valued at cost, except for the investment in STAROhio (the State Treasurer's investment pool), which is valued at amounts reported by the State Treasurer.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED
Year Ended December 31, 2004**

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.

Loss Reserve

Provisions for claims reserves and loss adjustment expenses (Note 7) 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 7. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

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.

Reinsurance

The Organization uses reinsurance agreements to reduce its exposure to large losses on all types on insured events. 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 contracts.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED
Year Ended December 31, 2004**

NOTE 2 - CHANGES IN REPORTING MODEL

For 2004, the Organization has implemented, as applicable, the display format and disclosure requirements of Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; GASB No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; and GASB No. 38, *Certain Financial Statement Note Disclosures*, as applicable.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The Organization maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2004 was as follows:

| | |
|--------------------------------|------------------|
| Demand Deposits | \$128,910 |
| U.S. Government Agency Notes | 397,790 |
| STAROhio | <u>74,851</u> |
| Total Investments | <u>472,641</u> |
| Total Deposits and Investments | <u>\$601,551</u> |

Deposits

At December 31, 2004 the carrying amount of the Organization's deposits was \$128,910 and the bank balance was \$131,601. The Organization's deposits are categorized to give an indication of level of risk assumed by the Organization at year end. Deposits are either (1) insured or collateralized with securities held by the Organization or its safekeeping agent in the Organization's name, (2) collateralized by securities specifically pledged by the financial institution to the Organization, or (3) collateralized by the financial institution's public entity deposit pool. Of the bank balance \$110,756 was category 1 and covered by federal depository insurance and the uninsured bank balance was unsecured.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED
Year Ended December 31, 2004**

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS, Continued

Investments

State statutes and Board resolutions authorize the types of investments the Organization may invest in. The Organization's investments are categorized to give an indication of the level of risk assumed by the Organization at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Organization or its agent in the Organization's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Organization's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Organization's name. The Organization has invested in State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments with the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2004. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| <u>Investments- December 31, 2004</u> | <u>Category 2</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|---------------------------------------|-------------------|----------------------------|-----------------------|
| STAROhio | | \$ 74,851 | \$ 74,851 |
| U.S. Government Agency Notes | \$397,790 | 397,790 | 398,764 |
| | <u>\$397,790</u> | <u>\$472,641</u> | <u>\$473,615</u> |

NOTE 4 - 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. Effective October 1, 2002 the Organization's per-occurrence retention limit increased to \$150,000 for all claims. The annual aggregate retention increased to \$815,000 effective October 1, 2004.

NOTE 5 - EXCESS INSURANCE CONTRACTS

The Organization maintains excess insurance contracts with insurance carriers 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 amount of coverage provided by the self-insurance fund, excess reinsurance and any amount of supplementary payments for which the member is obligated, then the payment of any uncovered value loss is the obligation of the individual member or members against which the claim or claims were made.

**BORMA, INC. - PROPERTY AND LIABILITY
INSURANCE DIVISION
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED
Year Ended December 31, 2004**

NOTE 6 - ADMINISTRATIVE FEES

The Organization has contracted with Arthur J. Gallagher & Co. to provide various management, underwriting, claim adjustments and loss control services. The fees are calculated based on periodic contributions.

NOTE 7 - LOSS RESERVE

As discussed in Note 1, the Organization's loss reserve (not recorded in the accompanying cash basis financial statements) includes both reported and unreported insured events and estimated future payments of losses and related loss adjustment expenses. The changes in the loss reserve for the Organization during 2004 and 2003 are as follows:

| | <u>2004</u> | <u>2003</u> |
|--|------------------|------------------|
| Reserve for unpaid losses and loss adjustment expenses at January 1 | \$674,693 | \$600,640 |
| Incurred losses and loss adjustment expenses: | | |
| Provision for insured events of the current year | 65,500 | 78,733 |
| Increase in provision for insured events of prior years | 222,957 | 343,672 |
| Payments: | | |
| Losses and loss adjustment expenses attributable to insured events of the current year | (7,231) | -0- |
| Losses and loss adjustment expenses attributable to insured events of prior years | (298,579) | (348,352) |
| Total reserve for unpaid loss and loss adjustment expenses at December | <u>\$657,340</u> | <u>\$674,693</u> |

NOTE 8 - SUBSEQUENT EVENT

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 advance is expected to be repaid by the member city and/or its general liability insurance.

BORMA, Inc. - Property and Liability
Insurance Division
 Claims Development Information

| | Policy Year Beginning October 1, | | | | | | | | | |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| 1. Required contribution and investment revenue, net earned | \$821,097 | \$787,449 | \$757,049 | \$569,522 | \$611,317 | \$636,985 | \$763,079 | \$823,175 | \$1,049,537 | \$1,320,132 |
| 2. Unallocated expenses | \$561,996 | \$497,466 | \$497,466 | \$419,817 | \$458,065 | \$452,182 | \$579,150 | \$664,244 | \$ 809,363 | \$ 902,226 |
| 3. Estimated incurred claims and expenses, net | \$ 72,539 | \$ 65,000 | \$ 58,050 | \$ 62,500 | \$ 44,015 | \$ 38,950 | \$ 67,822 | \$ 94,750 | \$ 78,733 | \$ 65,500 |
| 4. Net claims paid (cumulative) as of: | | | | | | | | | | |
| End of policy year | \$ 23,856 | \$ 16,291 | \$ 9,680 | \$ 7,721 | \$ 10,778 | \$ 6,268 | \$ 21,557 | \$ 4,214 | \$ - | \$ 7,231 |
| One year later | 176,633 | 72,136 | 162,944 | 75,947 | 59,457 | 49,299 | 69,080 | 191,503 | 96,119 | |
| Two years later | 199,894 | 83,225 | 77,554 | 127,531 | 84,618 | 135,814 | 169,420 | 379,852 | | |
| Three years later | 190,219 | 95,444 | 79,143 | 164,878 | 98,898 | 179,749 | 175,816 | | | |
| Four years later | 209,725 | 117,897 | 105,711 | 184,021 | 109,585 | 188,463 | | | | |
| Five years later | 208,554 | 121,610 | 108,895 | 184,208 | 109,585 | | | | | |
| Six years later | 222,920 | 121,610 | 110,768 | 186,396 | | | | | | |
| Seven years later | 222,920 | 121,610 | 111,438 | | | | | | | |
| Eight years later | 224,013 | 121,610 | | | | | | | | |
| Nine years later | 224,157 | | | | | | | | | |
| 5. Reestimated ceded claims and expenses | * | * | * | * | * | * | * | * | * | * |
| 6. Reestimated net incurred claims and expense: | | | | | | | | | | |
| One year later | \$235,000 | \$313,593 | \$250,000 | \$250,000 | \$157,154 | \$209,094 | \$306,045 | \$545,590 | \$ 253,000 | \$ 65,500 |
| Two years later | 256,492 | 181,015 | 133,761 | 250,000 | 145,099 | 301,810 | 310,244 | 581,508 | | |
| Three years later | 225,922 | 156,739 | 112,963 | 225,025 | 130,540 | 222,228 | 332,270 | | | |
| Four years later | 222,438 | 141,171 | 115,146 | 233,814 | 117,160 | 210,462 | | | | |
| Five years later | 247,675 | 128,301 | 128,247 | 212,172 | 119,365 | | | | | |
| Six years later | 222,920 | 121,610 | 127,666 | 210,502 | | | | | | |
| Seven years later | 230,330 | 121,610 | 128,331 | | | | | | | |
| Eight years later | 234,148 | 121,610 | | | | | | | | |
| Nine years later | 235,457 | | | | | | | | | |
| 7. Increase in estimated net incurred claims and expenses from end of policy year | \$162,918 | \$ 56,610 | \$ 70,281 | \$148,002 | \$ 75,350 | \$171,512 | \$264,448 | \$486,758 | \$ 174,267 | \$ - |

NOTES:

1. Ceded revenues and claims and expenses information was unavailable for this schedule.
2. Estimated incurred claims and expenses include actuary's estimate of incurred, but not reported claims.
3. Reestimated incurred claims and expenses include actuary's estimate of incurred, but not reported claims.

* Information was unavailable for this schedule.

**BORMA, Inc. - Property and Liability
Insurance Division**

List of Insurers of the Organization
December 31, 2004

Lloyds of London

Travelers Indemnity Company of Illinois

Travelers Casualty and Surety Company of America

Insurance Company of the State of Pennsylvania

RSUI Indemnity Company



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Napoleon
255 W. Riverview Drive
P.O. Box 151
Napoleon, Ohio 43545

We have audited the accompanying statement of net assets - cash basis of BORMA, Inc. - Property and Liability Insurance Division as of December 31, 2004, and the related statement of activities - cash basis for the year then ended, which collectively comprise BORMA, Inc. - Property and Liability Insurance Division's basic cash basis financial statements, and have issued our report thereon dated April 18, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the 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.

Weber O'Brien Ltd.

April 18, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

BORMA, INC. – PROPERTY AND LIABILITY INSURANCE DIVISION

HENRY 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
AUGUST 30, 2005**