

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

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2005**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of BORMA, Inc. Property and Liability Insurance Division, Henry County, prepared by Weber O'Brien, Ltd, for the audit period January 1, 2005 through December 31, 2005. 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. 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

September 6, 2006

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

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**weber • obrien ltd.**

## 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, 2005, 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 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 consideration of internal control over financial reporting as basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 accompanying financial statements and notes follow the cash accounting basis. This is comprehensive accounting basis 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 cash basis financial position of BORMA, Inc. - Property and Liability Insurance Division ("BORMA") as of December 31, 2005, and the changes in its financial position - cash basis for the year then ended on the basis of accounting described in Note 1.

Board of Trustees  
BORMA, Inc. - Property and Liability  
Insurance Division  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2006, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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 claims development information on pages 3 through 5 and page 14 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 15 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.

Handwritten signature of Webster O'Brien Ltd.

April 28, 2006



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

### Management's Discussion and Analysis For Year Ended December 31, 2005 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, 2005. 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 2005 are as follows:

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

Net assets increased \$196,300 to \$797,800.

Member contributions accounted for \$1,090,900 (89%) of all revenues, which were \$1,225,800. Disbursements for excess reinsurance premiums were \$611,500 (66%), while claims paid were \$215,600 (23%) of total operating disbursements of \$921,500.

#### 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, 2005 and 2004.

	<u>12/31/2005</u>	<u>12/31/2004</u>
<u>Assets:</u>		
Cash and Investments	<u>\$797,852</u>	<u>\$601,551</u>
<u>Net Assets:</u>		
Unrestricted Net Assets	<u>\$797,852</u>	<u>\$601,551</u>



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

**Management's Discussion and Analysis  
For Year Ended December 31, 2005  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for the years ended December 31, 2005 and 2004.

**Table 2  
Change in Net Assets**

	2005	2004
<u>Operating Receipts:</u>		
Member Contributions	\$1,090,856	\$1,313,312
Claim Deductible Recoveries	108,353	83,544
Claim Reimbursements	5,300	5,780
Total Operating Receipts	<u>1,204,509</u>	<u>1,402,636</u>
<u>Operating Disbursements:</u>		
Insurance Premiums for Coverage	611,507	811,784
Claims Paid	215,620	525,130
Administrative, Professional, and Service Fees	94,333	90,442
Total Operating Disbursements	<u>921,460</u>	<u>1,427,356</u>
Excess of Operating Disbursements over Receipts	283,049	(24,720)
<u>Non-Operating Receipts:</u>		
Advance to Member	(108,000)	-0-
Investment Earnings	21,252	6,820
Increase(Decrease) in Net Assets	<u>\$196,301</u>	<u>(\$17,900)</u>

The position of member contributions as the primary revenue source supporting the agency's insurance activities is apparent. Approximately 91 and 94 percent of 2005 and 2004 operating receipts, respectively, 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. Member contributions for 2005 declined \$222,400 from 2004 in anticipation of reduced claims payments in 2005. Claims paid decreased by \$309,500 in 2005 from 2004; this is attributed to the unusually high amounts of claims incurred in plan year 2002 having been mostly settled and paid by the end of 2004.

Claims reinsurance premiums paid in 2005 are \$200,300 lower than 2004 due to BORMA joining the Public Entities Risk Consortium ("PERC") in December 2005. Instead of annual premiums as required by the previous third party reinsurers, PERC is paid premiums in installments and so resulting in lower premiums paid in 2005. PERC is a risk-sharing pool of public entities providing excess insurance-type coverages.

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

### Management's Discussion and Analysis For Year Ended December 31, 2005 Unaudited (Continued)

In January 2005, the Board of BORMA elected to advance \$108,000 to a member city for a plaintiff's legal fees in an Americans with Disabilities Act litigation while arbitrators decided if that member city's other insurer would have to pay those fees. The advance is expected to be refunded to BORMA by the member city and/or its general liability insurance.

#### Current Issues

Member contributions required for insurance premiums were approved at the September 2005 board meeting to be increased for the coverage period October 1, 2005 to September 30, 2006, 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, 2005. 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*

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**Assets**

Cash and Investments

\$797,852

**Net Assets**

Unrestricted

\$797,852

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

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

*Statement of Activities - Cash Basis  
Year Ended December 31, 2005*

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<b>Operating Receipts</b>	
Member Contributions	\$1,090,856
Claim Deductible Recoveries	108,353
Claim Reimbursements	5,300
	<hr/>
<i>Total Operating Receipts</i>	1,204,509
	<hr/>
<b>Operating Disbursements</b>	
Insurance Premiums for Coverages	611,507
Claims Paid	215,620
Administrative Fees	48,200
Professional Fees	45,878
Service Fees	255
	<hr/>
<i>Total Operating Disbursements</i>	921,460
	<hr/>
<i>Excess of Operating Receipts over Operating Disbursements</i>	283,049
	<hr/>
<b>Non-Operating Receipts/(Disbursements)</b>	
Advance to Member	(108,000)
Interest Income	21,252
	<hr/>
<i>Change in Net Assets</i>	196,301
	<hr/>
<i>Net Assets Beginning of Year</i>	601,551
	<hr/>
<i>Net Assets End of Year</i>	\$797,852
	<hr/> <hr/>

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, 2005**

**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. The Organization also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989 to its proprietary activities provided they do not conflict or contradict GASB pronouncements or the cash basis of accounting. The Organization has elected not to apply FASB Standards and Interpretations issued after November 30, 1989. Governmental Accounting Standards Board (GASB) pronouncements are applied after this date.



**BORMA, INC. - PROPERTY AND LIABILITY  
INSURANCE DIVISION  
NOTES TO CASH BASIS FINANCIAL STATEMENTS  
Year Ended December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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.

**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 8) 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 8. 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.



**BORMA, INC. - PROPERTY AND LIABILITY  
INSURANCE DIVISION  
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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. Effective December 1, 2005 the Organization joined Public Entity Risk Consortium, a public entity risk-sharing pool which functions as a reinsurer for its member entities.

**NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE**

The Organization has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Implementation of GASB No. 40 for 2005 had no impact on the Organization's financial position or results of operations.

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS**

The Organization maintains a cash and investments pool. The carrying amount of cash and investments at December 31, 2005 was as follows:

Demand Deposits	\$510,749
STAROhio	<u>287,103</u>
Total Deposits and Investments	<u>\$797,852</u>

**Deposits**

At December 31, 2005 the carrying amount of the Organization's deposits was \$510,749 and the bank balance was \$661,664. At year end, \$112,864 of the Organization's bank balance of \$661,664 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Organization's name.

**BORMA, INC. - PROPERTY AND LIABILITY  
INSURANCE DIVISION  
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2005**

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS, Continued**

The Organization has no deposit policy for custodial risk.

**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.

Interest Rate Risk - The Organization has no investment policy that addresses interest rate risk.

Credit Risk - STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Organization has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Organization has no policy which addresses custodial credit risk.

Concentration of Credit Risk - The Organization places no limit on the amount it may invest in any one issuer.

Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

<u>Investments- December 31, 2005</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio	<u>\$287,103</u>	<u>\$287,103</u>



**BORMA, INC. - PROPERTY AND LIABILITY  
INSURANCE DIVISION  
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2005**

**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 from \$815,000 to \$952,055 effective October 1, 2005 to December 1, 2005. No stop loss coverage applies beginning December 1, 2005, as the Organization joined the Public Entity Risk Consortium ("PERC") pool on that date. 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 \$1,600,000 per year, purchasing excess insurance coverage above its retention.

**NOTE 5 - EXCESS INSURANCE CONTRACTS**

The Organization maintains excess insurance contracts with insurance carriers (or PERC, effective December 1, 2005) 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 noncovered value loss is the obligation of the individual member or members against which the claim or claims were made.

**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 - RELATED PARTY TRANSACTION**

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  
NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2005**

**NOTE 8 - 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 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Reserve for unpaid losses and loss adjustment expenses at January 1	\$657,340	\$674,693
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current year	80,000	65,500
Increase in provision for insured events of prior years	499,148	222,957
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current year	( 9,668)	( 7,231)
Losses and loss adjustment expenses attributable to insured events of prior years	( <u>202,652</u> )	( <u>298,579</u> )
Total reserve for unpaid loss and loss adjustment expenses at December 31	<u>\$1,024,168</u>	<u>\$657,340</u>

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

	Policy Year Beginning October 1,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Required contribution and investment revenue, net earned	\$ 787,449	\$ 757,049	\$ 569,522	\$ 611,317	\$ 636,985	\$ 765,079	\$ 823,175	\$ 1,049,537	\$ 1,320,132	\$ 1,112,108
2. Unallocated expenses	\$ 497,466	\$ 497,466	\$ 419,817	\$ 458,065	\$ 452,182	\$ 579,150	\$ 664,244	\$ 809,363	\$ 902,266	\$ 705,840
3. Estimated incurred claims and expenses, net	\$ 65,000	\$ 58,050	\$ 62,500	\$ 44,015	\$ 38,950	\$ 67,822	\$ 94,750	\$ 78,733	\$ 65,500	\$ 80,000
4. Net claims paid (cumulative) as of:										
End of policy year	\$ 16,291	\$ 9,680	\$ 7,721	\$ 10,778	\$ 6,268	\$ 21,557	\$ 4,214	\$ -	\$ 7,231	\$ 9,668
One year later	72,136	162,944	75,947	59,457	49,299	69,080	191,503	96,119	105,633	
Two years later	83,225	77,554	127,531	84,618	135,814	169,420	379,852	118,469		
Three years later	95,444	79,143	164,878	98,898	179,749	175,816	435,281			
Four years later	117,897	105,711	184,021	109,585	188,463	183,523				
Five years later	121,610	108,895	184,208	109,585	188,463					
Six years later	121,610	110,768	186,396	119,386						
Seven years later	121,610	111,438	186,734							
Eight years later	121,610	117,901								
Nine years later	121,610									
5. Reestimated ceded claims and expenses	*	*	*	*	*	*	*	*	*	*
6. Reestimated net incurred claims and expense:										
One year later	\$ 313,593	\$ 250,000	\$ 250,000	\$ 157,154	\$ 209,094	\$ 306,045	\$ 545,590	\$ 253,000	\$ 404,100	\$ 80,000
Two years later	181,015	133,761	250,000	145,099	301,810	310,244	581,508	208,567		
Three years later	156,739	112,963	225,025	130,540	222,228	332,270	586,936			
Four years later	141,171	115,146	233,814	117,160	210,462	316,335				
Five years later	128,301	128,247	212,172	119,365	202,304					
Six years later	121,610	127,666	210,502	127,945						
Seven years later	121,610	128,331	197,136							
Eight years later	121,610	117,901								
Nine years later	121,610									
7. Increase in estimated net incurred claims and expenses from end of policy year	\$ 56,610	\$ 59,851	\$ 134,636	\$ 83,930	\$ 163,354	\$ 248,513	\$ 492,186	\$ 129,834	\$ 338,600	\$ -

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, 2005

Lloyds of London

Travelers Indemnity Company of Illinois

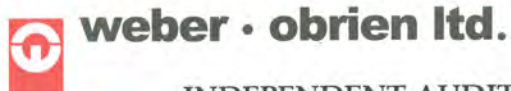
Travelers Property Casualty Company of America

Insurance Company of the State of Pennsylvania

RSUI Indemnity Company

Public Entity Risk Consortium





**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 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, 2005, 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 28, 2006. 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 an opinion 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 reportable 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 caused by error or fraud 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 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 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.

A handwritten signature in cursive script that reads "William O'Brien Ltd.".

April 28, 2006



**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  
SEPTEMBER 19, 2006**