

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

FRANKLIN COUNTY, OHIO

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006***

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, 2005 through September 30, 2006. 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

September 25, 2007

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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, 2006**

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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. (the "Association"), Franklin County, Ohio as of and for the fiscal year ended September 30, 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association'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 Association as of September 30, 2006, 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 June 22, 2007, on our consideration of the Association'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.

The management's discussion and analysis is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The supplemental claim information on pages 17 - 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Association's management. Such information for the year ended September 30, 2006 has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
June 22, 2007

CORMA SELF-INSURANCE POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

The 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, 2006. 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 2006 are as follows:

- In total, net assets (deficit) were \$470,879 and (\$321,086) at September 30, 2006 and 2005, respectively.
- The Association has hired an independent actuary, Willis Casualty Actuarial Practice, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves decreased to \$204,000 at September 30, 2006, compared to \$829,770 and \$583,478 at September 30, 2005 and 2004, respectively.
- The Association had operating revenues of \$1,117,607 and operating expenses of \$355,059 for fiscal year 2006. The Association had \$29,417 in interest revenue. Operating income and the change in net assets for the fiscal year was \$762,548 and \$791,965, respectively. The operating income and positive change in net assets is primarily attributed to the \$625,770 decrease in the loss and loss adjustment expense reserves as determined by the Association's independent actuaries (see Notes 6 & 7 to the financial statements).

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 *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 asks the question, "How did we do financially during fiscal year 2006?" 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 takes 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, 2006

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 10-16 of this report.

Required Supplementary Information

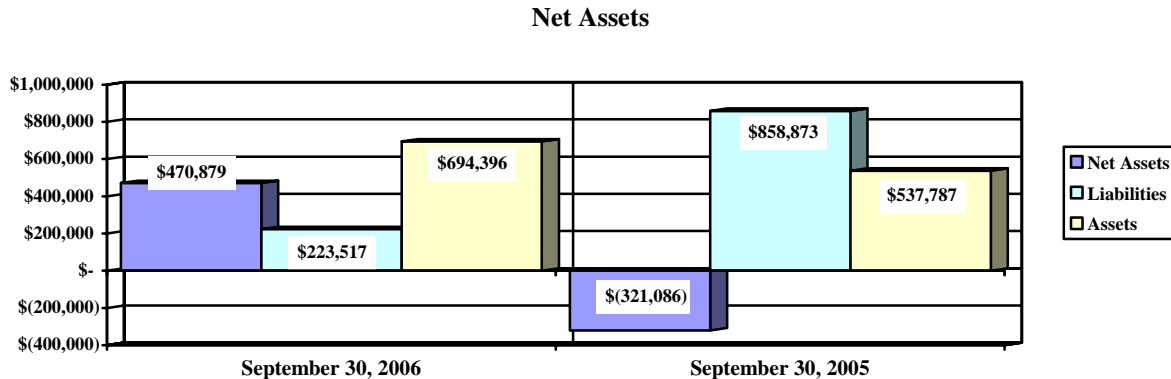
Nine years of loss development information can be found on pages 17-18 of this report.

The table below provides a summary of the Association's net assets for fiscal year 2006 and 2005.

	Net Assets	
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 694,396	\$ 537,787
Total assets	<u>694,396</u>	<u>537,787</u>
<u>Liabilities:</u>		
Accounts payable and accrued expenses	19,517	29,103
Loss and loss adjustment expense reserves	<u>204,000</u>	<u>829,770</u>
Total liabilities	<u>223,517</u>	<u>858,873</u>
<u>Net Assets:</u>		
Unrestricted (deficit)	<u>470,879</u>	<u>(321,086)</u>
Total net assets (deficit)	<u>\$ 470,879</u>	<u>\$ (321,086)</u>

Net assets increased by \$791,965 partially due to operating revenues exceeding operating expenses by approximately \$762,548 coupled with a \$16,654 increase in interest revenue earned in fiscal year 2006 compared to fiscal year 2005. However, the decrease in the loss and loss adjustment expense reserves of \$625,770 is the primary reason for the increase in the Association's net assets.

The chart below shows a breakdown of the Associations assets, liabilities and net assets for 2006 versus 2005:



CORMA SELF-INSURANCE POOL, INC.

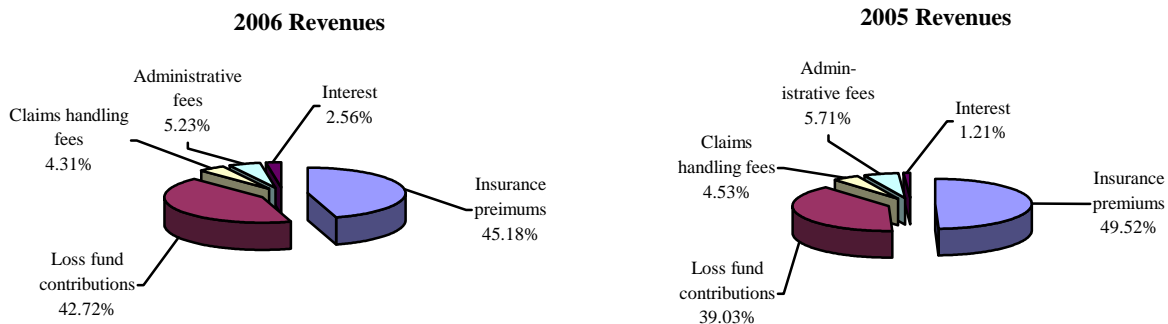
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

The table below shows the changes in net assets for fiscal year 2006 and 2005.

	Change in Net Assets		
	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
<u>Revenues:</u>			
Insurance premiums	\$ 518,167	\$ 520,232	\$ (2,065)
Loss fund contributions	490,000	410,000	80,000
Claims handling fees	49,439	47,571	1,868
Administrative fees	60,001	60,001	-
Total revenue	<u>1,117,607</u>	<u>1,037,804</u>	<u>79,803</u>
<u>Expenses:</u>			
Loss and loss adjustment expenses, net	(301,815)	576,413	(878,228)
Insurance premiums	518,167	520,232	(2,065)
Administration fees	60,001	60,001	-
Claims handling fees	49,439	47,571	1,868
Professional fees	29,190	51,114	(21,924)
Miscellaneous expenses	77	10	67
Total expenses	<u>355,059</u>	<u>1,255,341</u>	<u>(900,282)</u>
Operating income (loss)	<u>762,548</u>	<u>(217,537)</u>	<u>980,085</u>
<u>Nonoperating revenues:</u>			
Interest	29,417	12,763	16,654
Total nonoperating revenues	<u>29,417</u>	<u>12,763</u>	<u>16,654</u>
Change in net assets	791,965	(204,774)	996,739
Net assets (deficit), October 1	(321,086)	(116,312)	(204,774)
Net assets (deficit), September 30	<u>\$ 470,879</u>	<u>\$ (321,086)</u>	<u>\$ 791,965</u>

The loss and loss adjustment expenses, net, was the primary area of decrease from 2005. This decrease is attributable to the lower loss and loss adjustment expense reserves as determined by the Associations independent actuary (see Notes 6 & 7 to the financial statements). The decrease in professional fees, are due to the two year audit being completed in 2005. All other revenue and expense amounts were comparable to 2005.

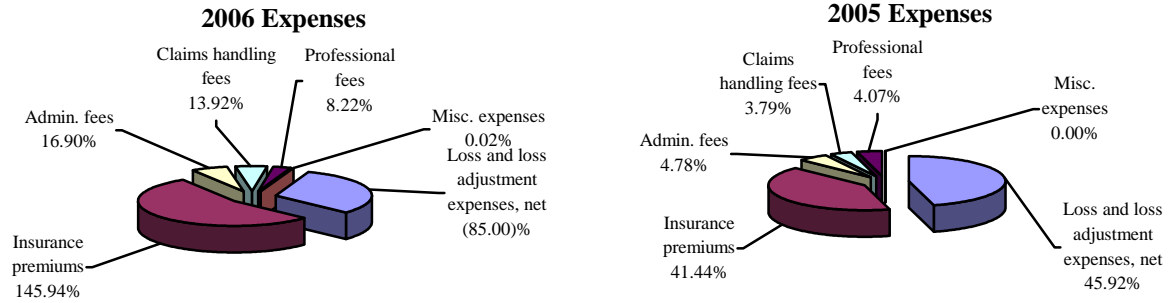
The charts below reflect the percentage of the revenues in fiscal year 2006 versus 2005:



CORMA SELF-INSURANCE POOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

The charts below reflect the percentage of the expenses in fiscal year 2006 versus 2005:



Capital Assets

The Association has no capital assets.

Debt Administration

The Association has no 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, the Association net assets were a deficit of \$95,470. Net assets decreased to a deficit of \$116,312 at the end of fiscal year 2004 and reached a deficit of \$321,086 at the end of fiscal year 2005. Net assets at the end of fiscal year 2006 were a positive \$470,879. 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, 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, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

	2006	2005
Assets:		
Equity in pooled cash and cash equivalents	\$ 694,396	\$ 537,787
Total assets.	694,396	537,787
Liabilities:		
Accounts payable and accrued expenses	19,517	29,103
Loss and loss adjustment expense reserves (see Note 6).	204,000	829,770
Total liabilities.	223,517	858,873
Net assets:		
Unrestricted (deficit).	470,879	(321,086)
Total net assets (deficit).	\$ 470,879	\$ (321,086)

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, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Member contributions:		
Insurance premiums	\$ 518,167	\$ 520,232
Loss fund contributions	490,000	410,000
Claims handling fees	49,439	47,571
Administrative fees	<u>60,001</u>	<u>60,001</u>
 Total operating revenues	 <u>1,117,607</u>	 <u>1,037,804</u>
Operating expenses:		
Loss and loss adjustment expenses, net (see Note 7)	(301,815)	576,413
Insurance premiums	518,167	520,232
Administration fees	60,001	60,001
Claims handling fees	49,439	47,571
Professional fees	29,190	51,114
Miscellaneous expenses	<u>77</u>	<u>10</u>
 Total operating expenses	 <u>355,059</u>	 <u>1,255,341</u>
 Operating income (loss)	 <u>762,548</u>	 <u>(217,537)</u>
Nonoperating revenues:		
Interest	<u>29,417</u>	<u>12,763</u>
 Total nonoperating revenues	 <u>29,417</u>	 <u>12,763</u>
 Change in net assets.	 791,965	 (204,774)
Net assets (deficit), October 1.	<u>(321,086)</u>	<u>(116,312)</u>
Net assets (deficit), September 30	<u>\$ 470,879</u>	<u>\$ (321,086)</u>

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, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	2006	2005
Cash flows from operating activities:		
Cash received from members	\$ 1,117,607	\$ 1,037,804
Cash payments to suppliers for services.	(666,383)	(664,515)
Cash payments for covered losses.	(323,955)	(330,121)
Cash payments for miscellaneous expenses	(77)	-
	127,192	43,168
Cash flows from investing activities:		
Interest received.	29,417	12,763
	29,417	12,763
Net cash provided by investing activities		
	156,609	55,931
Cash and cash equivalents, October 1.	537,787	481,856
Cash and cash equivalents, September 30.	\$ 694,396	\$ 537,787
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 762,548	\$ (217,537)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase (decrease) in accounts payable.	(9,586)	14,413
Increase (decrease) in loss and loss adjustment expense reserves	(625,770)	246,292
	127,192	43,168
Net cash provided by operating activities	\$ 127,192	\$ 43,168

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, 2006

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.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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

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.

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 and expenses 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.

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.

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, 2006.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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

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.

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.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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

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 deductible and the varying self-insured deductible amounts are payable by commercial insurance policies with varying limits.

The Association has an agreement with a company to administer claims and loss control.

Reinsurance:

The Association uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from these reinsurance agreements, although it does not discharge the primary liability of the Association as direct insurer of the risks insured. The Association does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the reinsurance agreements. The Association is contingently liable with respect to certain loss coverage, which would become a liability in the event the insurance carriers are unable to meet the obligations under these contracts.

F. Cash and Investments

The Association maintains three individual accounts for claims, 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 "Equity in Pooled 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.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 4 - CASH AND INVESTMENTS

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

During fiscal 2006, 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, 2006, the carrying amount of the Association's deposits was \$694,396. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of September 30, 2006, \$619,702 of the Association's bank balance of \$719,702 was exposed to custodial risk as discussed below, while \$100,000 was covered by 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, 2006 or 2005.

NOTE 5 - INSURANCE COVERAGES

For the years ended September 30, 2006 and 2005, the Association provided the following insurance coverages:

	<u>2006</u>	<u>2005</u>
Self-insured portion for covered claims per occurrence:		
Property claims	\$ 25,000	\$ 25,000
Liability claims	100,000	100,000
 Annual aggregate self-insured portion limited by commercial insurance policies, property and liability coverages combined	 450,000	 450,000

Claims over the annual aggregate self-insured portion are covered by commercial insurance policies. Settled claims have not exceeded any of the above coverage's in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2005.

CORMA SELF-INSURANCE POOL, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 Association's independent actuary, Willis Casualty Actuarial Practice, for the fiscal year ended 2006 and Financial Risk Analysts, LLC for the fiscal year ended 2005. The changes in the aggregate liabilities for the Association for the fiscal years ended September 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Unpaid loss and loss adjustment expense reserves, beginning	\$ <u>829,770</u>	\$ <u>583,478</u>
Incurred loss and loss adjustment expenses, provision for insured events of the current period	225,754	517,525
Increase (decrease) in provision for insured events of the prior years	<u>(527,569)</u>	<u>58,888</u>
Total incurred loss and loss adjustment expenses	<u>(301,815)</u>	<u>576,413</u>
Payments:		
Loss and loss adjustment expenses attributable to insured events of the current year	150,025	129,963
Loss and loss adjustment expenses paid attributable to insured events of prior years	<u>173,930</u>	<u>200,158</u>
Total payments	<u>323,955</u>	<u>330,121</u>
Unpaid loss and loss adjustment expense reserves, ending	\$ <u><u>204,000</u></u>	\$ <u><u>829,770</u></u>

The decrease in the unpaid loss and loss adjustment expense reserves from September 30, 2005 to September 30, 2006 is primarily attributed to the grouping of errors and omission, general liability and police liability into one category for fiscal year 2005 compared to each line of coverage being reported separately for fiscal year 2006. The grouping of the three lines of coverage for fiscal year 2005 resulted in the errors and omissions line of coverage being treated as an "occurrence" form rather than as "claims made" form by the Association's actuary.

NOTE 7 - LOSS AND LOSS ADJUSTMENT EXPENSES, NET

For fiscal year 2006, the Association reported loss and loss adjustment expenses, net of (\$301,815). The negative expense is the result of differences between actuarial estimates of provisions for insured events from the prior years (see Note 6). As stated above, the Association's independent actuary for fiscal year 2005 was Financial Risk Analysts, LLC and the Association's independent actuary for fiscal year 2006 was Willis Casualty Actuarial Practice.

The \$625,770 decrease in the unpaid loss and loss adjustment expense reserves from September 30, 2005 to September 30, 2006 is reflected in the fiscal year 2006 loss and loss adjustment expenses, net as reported on the Statement of Revenues, Expenses and Changes in Net Assets. For fiscal year 2006, actual claims payments for covered losses were \$323,955 as reported on the Statement of Cash Flows.

CORMA SELF-INSURANCE POOL, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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 years ended September 30, 2006 and 2005, the amounts charged to expense were as follows:

	<u>2006</u>	<u>2005</u>
Administration fees	\$ 60,001	\$ 60,001
Claims handling fees	<u>49,439</u>	<u>47,571</u>
	<u>\$ 109,440</u>	<u>\$ 107,572</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.

NOTE 10 - SIGNIFICANT SUBSEQUENT EVENTS

Effective October 1, 2006, the Association switched their claims administrator from ASC, Inc. to the Frank Gates Company.

Effective October 1, 2006, the Association switched their independent actuary from Financial Risk Analysts, Inc. to Willis Casualty Actuarial Practice.

REQUIRED SUPPLEMENTARY INFORMATION

CORMA SELF-INSURANCE POOL, INC.

NINE-YEAR LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Association's earned revenue and investment income compared 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 years ended September 30, 1998 and 1999. Loss development information for the years ended September 30, 2006, 2005, 2004, 2003, 2002, 2001 and 2000 is as follows:

CORMA SELF-INSURANCE POOL, INC.

NINE-YEAR LOSS DEVELOPMENT INFORMATION (CONTINUED)

	----- Fiscal and Accident Year Ended September 30, -----								
	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Premiums and investment income	N/A	N/A	\$451,825	\$ 540,252	\$ 744,226	\$ 946,220	\$1,024,263	\$1,050,567	\$1,147,024
2. Unallocated expenses	N/A	N/A	329,813	364,442	397,189	600,867	625,959	678,928	656,874
3. Estimated losses incurred and expense, end of year	N/A	N/A	161,980	194,075	360,387	413,417	426,125	517,525	(301,815)
4. Paid, cumulative as of:									
End of accident year	N/A	N/A	35,268	106,567	60,285	103,457	106,858	129,963	150,025
One year later	N/A	N/A	128,780	118,989	138,791	216,765	299,481	207,118	-
Two years later	N/A	N/A	128,780	167,501	160,402	236,662	256,091	-	-
Three years later	N/A	N/A	125,000	171,482	170,898	325,000	-	-	-
Four years later	N/A	N/A	125,000	183,000	222,725	-	-	-	-
Five years later	N/A	N/A	128,750	183,000	-	-	-	-	-
Six years later	N/A	N/A	128,750	-	-	-	-	-	-
5. Re-estimated incurred losses and expense:									
End of accident year	N/A	N/A	161,980	194,075	360,387	413,417	426,125	517,525	225,754
One year later	N/A	N/A	128,780	183,000	265,440	382,872	496,406	228,921	-
Two years later	N/A	N/A	128,780	183,000	246,988	394,409	292,559	-	-
Three years later	N/A	N/A	125,000	183,000	238,434	375,000	-	-	-
Four years later	N/A	N/A	125,000	183,000	222,725	-	-	-	-
Five years later	N/A	N/A	128,750	183,000	-	-	-	-	-
Six years later	N/A	N/A	128,750	-	-	-	-	-	-
6. Increase (decrease) in estimated incurred losses and expenses from end of accident year	N/A	N/A	(33,230)	(11,075)	(137,662)	(38,417)	(133,566)	(288,604)	-

N/A = Information not available.

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Julian & Grube, Inc.
Serving Ohio Local Governments

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**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 the Central Ohio Risk Management Association Self Insurance Pool, Inc., Franklin County (the "Association"), as of and for the fiscal year ended September 30, 2006, which collectively comprise the Association's basic financial statements and have issued our report thereon dated June 22, 2007. 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 the Association'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 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 the Association'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*. However we noted a certain matter that we reported to the management of Central Ohio Risk Management Association Self Insurance Pool, Inc. in a separate letter dated June 22, 2007.

This report is intended solely for the information and use of the management and Trustees of the 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.

Julian & Grube, Inc.
June 22, 2007



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
OCTOBER 9, 2007**