

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2007*

**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, OH 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, 2006 through September 30, 2007. 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.

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

Mary Taylor, CPA  
Auditor of State

April 23, 2008

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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, 2007**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, Ohio, as of and for the fiscal year ended September 30, 2007, which collectively comprise the Central Ohio Risk Management Association Self-Insurance Pool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Ohio Risk Management Association Self-Insurance Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

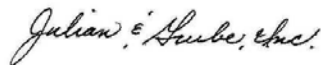
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Central Ohio Risk Management Association Self-Insurance Pool as of September 30, 2007, 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 March 21, 2008, on our consideration of the Central Ohio Risk Management Association Self-Insurance Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 and required supplementary information on pages 3 - 7 and 18 - 19, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Julian & Grube, Inc.  
March 21, 2008

## CORMA SELF-INSURANCE POOL, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

The management's discussion and analysis of the Central Ohio Risk Management Association (CORMA) Self-Insurance Pool, Inc.'s (the "Association") financial performance provides an overall review of the Association's financial activities for the fiscal year ended September 30, 2007. 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 2007 and 2006 are as follows:

- In total, net assets were \$611,253 and \$470,879 at September 30, 2007 and 2006, 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 was \$426,448 at September 30, 2007, compared to \$204,000 and \$829,770 at September 30, 2006 and 2005, respectively.
- The Association had operating revenues of \$1,212,620 and operating expenses of \$1,143,668 for fiscal year 2007. The Association had \$42,606 in interest revenue and received \$28,816 in refunds and reimbursements. Operating income and the change in net assets for the fiscal year was \$68,952 and \$140,374, respectively.

#### Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Association's financial activities. The *Statement of Net Assets* and *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 2007?" 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 8 - 9 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 10 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(UNAUDITED)

***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 11 - 17 of this report.

***Required Supplementary Information***

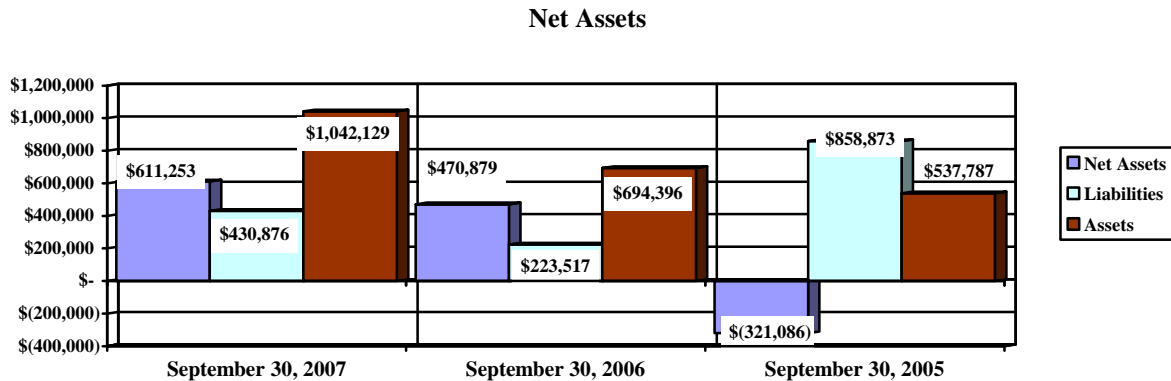
Ten years of loss development information can be found on pages 18 - 19 of this report.

The table below provides a summary of the Association's net assets for fiscal years 2007, 2006 and 2005.

	<b>Net Assets</b>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 1,042,129	\$ 694,396	\$ 537,787
Total assets	<u>1,042,129</u>	<u>694,396</u>	<u>537,787</u>
<b><u>Liabilities:</u></b>			
Accounts payable and accrued expenses	4,428	19,517	29,103
Loss and loss adjustment expense reserves	<u>426,448</u>	<u>204,000</u>	<u>829,770</u>
Total liabilities	<u>430,876</u>	<u>223,517</u>	<u>858,873</u>
<b><u>Net Assets:</u></b>			
Unrestricted (deficit)	<u>611,253</u>	<u>470,879</u>	<u>(321,086)</u>
Total net assets (deficit)	<u>\$ 611,253</u>	<u>\$ 470,879</u>	<u>\$ (321,086)</u>

Net assets in 2007 increased by \$140,374 over 2006 due to operating revenues exceeding operating expenses by approximately \$69,000, coupled with approximately \$43,000 in interest revenue earned and \$29,000 in refunds and reimbursements received. Net assets in 2006 increased by \$791,965 over 2005 due to operating revenues exceeding operating expenses by approximately \$763,000 coupled with approximately \$29,000 in interest revenue earned.

The chart below shows a breakdown of the Associations assets, liabilities and net assets for 2007, 2006 and 2005:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2007, 2006 and 2005.

	2007	2006	2005
<b><u>Revenues:</u></b>			
Insurance premiums	\$ 551,104	\$ 518,167	\$ 520,232
Loss fund contributions	490,000	490,000	410,000
Claims handling fees	100,500	49,439	47,571
Administrative fees	71,016	60,001	60,001
Total revenue	1,212,620	1,117,607	1,037,804
<b><u>Expenses:</u></b>			
Loss and loss adjustment expenses, net	419,106	(301,815)	576,413
Insurance premiums	551,104	518,167	520,232
Administration fees	51,287	60,001	60,001
Claims handling fees	100,500	49,439	47,571
Professional fees	21,488	29,190	51,114
Miscellaneous expenses	183	77	10
Total expenses	1,143,668	355,059	1,255,341
Operating income (loss)	68,952	762,548	(217,537)
<b><u>Nonoperating revenues:</u></b>			
Interest	42,606	29,417	12,763
Refunds and reimbursements	28,816	-	-
Total nonoperating revenues	71,422	29,417	12,763
Change in net assets	140,374	791,965	(204,774)
Net assets (deficit), October 1	470,879	(321,086)	(116,312)
Net assets (deficit), September 30	\$ 611,253	\$ 470,879	\$ (321,086)

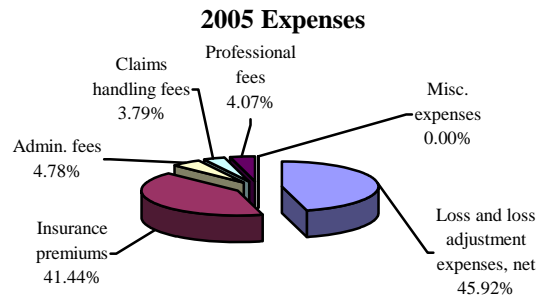
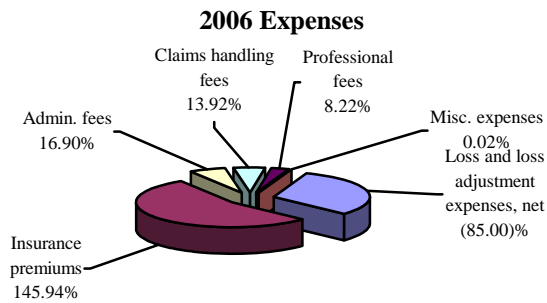
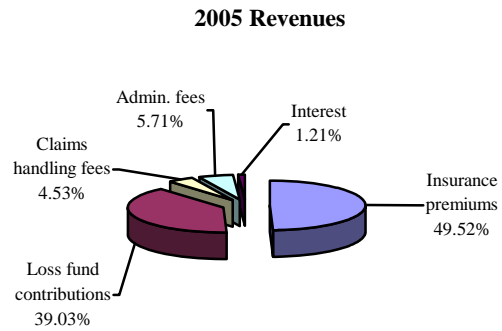
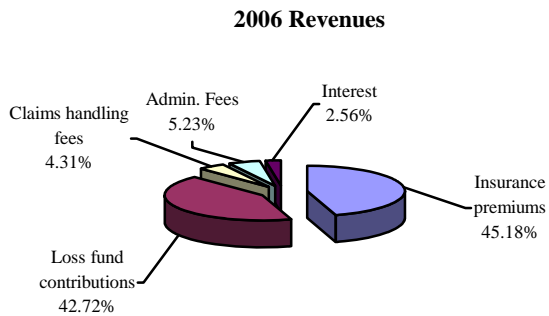
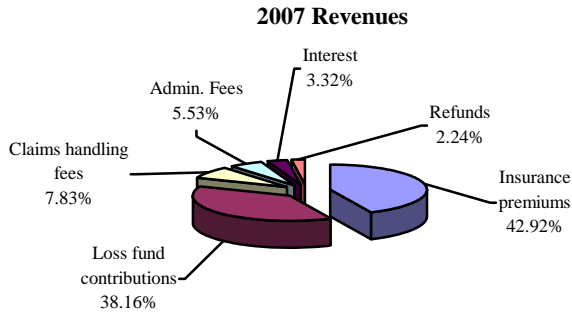
Net assets were primarily affected by the fluctuation in the estimated loss and loss adjustment expense reserves reported at September 30, 2007, 2006 and 2005 of \$426,448, \$204,000 and \$829,770, respectively. Fluctuations in this liability are reported as a component of the loss and loss adjustment expenses, net for each respective year. The fluctuation in the loss and loss adjustment expenses, net between 2005 and 2006 resulted from differences between actuarial estimates of provisions for insured events from the prior years 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. The actual cash payments for claims in 2006 were \$323,955 which are more consistent with the loss and loss adjustment expenses, net reported in 2007 of \$419,106. Insurance groupings were applied consistently in 2006 and 2007 by the Association's independent actuary. The Association used a different actuary for 2005 than was used in 2006 and 2007.

All other 2007 revenue and expense amounts were comparable to 2006 except for refunds and reimbursements which were received by the Association in 2007. These amounts have been reported as nonoperating revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(UNAUDITED)**

The charts below reflect the percentage of the revenues and expenses in fiscal years 2007, 2006 and 2005:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(UNAUDITED)**

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

**Contacting the Association's Financial Management**

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

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

STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2007  
 (WITH COMPARATIVE TOTALS FOR 2006)

	2007	2006
<b>Assets:</b>		
Cash and cash equivalents . . . . .	\$ 1,042,129	\$ 694,396
Total assets. . . . .	1,042,129	694,396
<b>Liabilities:</b>		
Accounts payable and accrued expenses . . . . .	4,428	19,517
Loss and loss adjustment expense reserves (see Note 6). . . . .	426,448	204,000
Total liabilities. . . . .	430,876	223,517
<b>Net assets:</b>		
Unrestricted . . . . .	611,253	470,879
Total net assets . . . . .	\$ 611,253	\$ 470,879

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, 2007  
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
<b>Operating revenues:</b>		
Member contributions:		
Insurance premiums . . . . .	\$ 551,104	\$ 518,167
Loss fund contributions . . . . .	490,000	490,000
Claims handling fees . . . . .	100,500	49,439
Administrative fees. . . . .	<u>71,016</u>	<u>60,001</u>
 Total operating revenues . . . . .	 <u>1,212,620</u>	 <u>1,117,607</u>
<b>Operating expenses:</b>		
Loss and loss adjustment expenses, net (see Note 7) . . . . .	419,106	(301,815)
Insurance premiums . . . . .	551,104	518,167
Administration fees. . . . .	51,287	60,001
Claims handling fees . . . . .	100,500	49,439
Professional fees . . . . .	21,488	29,190
Miscellaneous expenses . . . . .	<u>183</u>	<u>77</u>
 Total operating expenses . . . . .	 <u>1,143,668</u>	 <u>355,059</u>
 Operating income . . . . .	 <u>68,952</u>	 <u>762,548</u>
<b>Nonoperating revenues:</b>		
Interest . . . . .	42,606	29,417
Refunds and reimbursements. . . . .	<u>28,816</u>	<u>-</u>
 Total nonoperating revenues . . . . .	 <u>71,422</u>	 <u>29,417</u>
 Change in net assets. . . . .	 140,374	 791,965
<b>Net assets (deficit), October 1. . . . .</b>	<u>470,879</u>	<u>(321,086)</u>
<b>Net assets, September 30 . . . . .</b>	<u>\$ 611,253</u>	<u>\$ 470,879</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, 2007  
(WITH COMPARATIVE TOTALS FOR 2006)

	2007	2006
<b>Cash flows from operating activities:</b>		
Cash received from members . . . . .	\$ 1,212,620	\$ 1,117,607
Cash payments to suppliers for services. . . . .	(739,468)	(666,383)
Cash payments for covered losses. . . . .	(196,658)	(323,955)
Cash payments for miscellaneous expenses . . . . .	(183)	(77)
	<u>276,311</u>	<u>127,192</u>
<b>Net cash provided by operating activities . . . . .</b>		
<b>Cash flows from noncapital financing activities:</b>		
Cash received from refunds and reimbursements . . . . .	28,816	-
	<u>28,816</u>	<u>-</u>
<b>Net cash provided by noncapital financing activities . . . . .</b>		
<b>Cash flows from investing activities:</b>		
Interest received. . . . .	42,606	29,417
	<u>42,606</u>	<u>29,417</u>
<b>Net cash provided by investing activities . . . . .</b>		
<b>Net increase in cash and cash equivalents . . . . .</b>	347,733	156,609
<b>Cash and cash equivalents, October 1. . . . .</b>	694,396	537,787
<b>Cash and cash equivalents, September 30. . . . .</b>	<u>\$ 1,042,129</u>	<u>\$ 694,396</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$ 68,952	\$ 762,548
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Decrease) in accounts payable. . . . .	(15,089)	(9,586)
Increase (decrease) in loss and loss adjustment expense reserves . . . . .	222,448	(625,770)
	<u>276,311</u>	<u>127,192</u>
<b>Net cash provided by operating activities . . . . .</b>	<u>\$ 276,311</u>	<u>\$ 127,192</u>

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, 2007**

#### **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. The current members are the City of Upper Arlington, City of Westerville, City of Dublin and the City of Pickerington.

#### **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, 2007

**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 and, during fiscal year 2007, the Association received refund and reimbursements which have been reported as nonoperating revenues.

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

***Cash:***

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

***Receivables:***

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables in excess of 90 days are evaluated for the ability to collect them and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The Association has no receivables at September 30, 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**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, 2007

**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. The Association uses The Frank Gates Service Company as their claims administrator and the Willis Casualty Actuarial Practice as their independent actuary.

***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 Cash Equivalents**

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 "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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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

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

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

**NOTE 4 - CASH AND INVESTMENTS**

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

During fiscal 2007, 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, 2007, the carrying amount of the Association's deposits was \$1,042,129. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of September 30, 2007, \$944,897 of the Association's bank balance of \$1,044,897 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, 2007 or 2006.

**NOTE 5 - INSURANCE COVERAGES**

For the fiscal years ended September 30, 2007 and 2006, the Association provided the following insurance coverages:

	<u>2007</u>	<u>2006</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 retention (all coverages combined)	 550,000	 550,000

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 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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

The Association established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and related loss adjustment expenses. The claims liability as required by GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, was provided by the Associations independent actuary, Willis Casualty Actuarial Practice, for the fiscal years ended 2007 and 2006. The changes in the aggregate liabilities for the Association for the fiscal years ended September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Unpaid loss and loss adjustment expense reserves, beginning	\$ <u>204,000</u>	\$ <u>829,770</u>
Incurred loss and loss adjustment expenses, provision for insured events of the current period	249,791	225,754
Increase (decrease) in provision for insured events of the prior years	<u>169,315</u>	<u>(527,569)</u>
Total incurred loss and loss adjustment expenses	<u>419,106</u>	<u>(301,815)</u>
Payments:		
Loss and loss adjustment expenses attributable to insured events of the current year	42,079	150,025
Loss and loss adjustment expenses paid attributable to insured events of prior years	<u>154,579</u>	<u>173,930</u>
Total payments	<u>196,658</u>	<u>323,955</u>
Unpaid loss and loss adjustment expense reserves, ending	<u>\$ 426,448</u>	<u>\$ 204,000</u>

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

For fiscal years 2007 and 2006, the Association reported loss and loss adjustment expenses, net of \$419,106 and (\$301,815), respectively. The negative expense for 2006 is the result of differences between actuarial estimates of provisions for insured events from the prior years 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. The Association’s independent actuary for fiscal year 2005 was Financial Risk Analysts, LLC and the Association’s independent actuary for fiscal years 2006 and 2007 was Willis Casualty Actuarial Practice.

The \$222,448 increase in the loss and loss adjustment expense reserves from September 30, 2006 to September 30, 2007 is reflected in the fiscal year 2007 loss and loss adjustment expenses, net as reported on the Statement of Revenues, Expenses and Changes in Net Assets. For fiscal year 2007, actual claims payments for covered losses were \$196,658 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, 2007

**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, 2007 and 2006, the amounts charged to expense were as follows:

	<u>2007</u>	<u>2006</u>
Administration fees	\$ 51,287	\$ 60,001
Claims handling fees	<u>100,500</u>	<u>49,439</u>
Total	<u>\$ 151,787</u>	<u>\$ 109,440</u>

**NOTE 9 - CONTINGENCIES**

***General:***

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

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

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

Association membership is limited to municipalities.

REQUIRED SUPPLEMENTARY INFORMATION



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

**TEN-YEAR LOSS DEVELOPMENT INFORMATION**

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

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

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. The Association has not provided loss development information for the years ended September 30, 1998 and 1999. Loss development information for the years ended September 30, 2007, 2006, 2005, 2004, 2003, 2002, 2001 and 2000 is as follows:

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

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

	----- Fiscal and Accident Year Ended September 30, -----									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>1. Premiums and investment income</b>	N/A	N/A	\$451,825	\$ 540,252	\$ 744,226	\$ 946,220	\$1,024,263	\$1,050,567	\$1,147,024	\$1,255,226
<b>2. Unallocated expenses</b>	N/A	N/A	329,813	364,442	397,189	600,867	625,959	678,928	656,874	724,562
<b>3. Estimated losses incurred and expense, end of year</b>	N/A	N/A	161,980	194,075	360,387	413,417	426,125	517,525	225,754	249,791
<b>4. Paid, cumulative as of:</b>										
End of accident year	N/A	N/A	35,268	106,567	60,285	103,457	106,858	129,963	150,025	42,079
One year later	N/A	N/A	128,780	118,989	138,791	216,765	299,481	207,118	193,629	-
Two years later	N/A	N/A	128,780	167,501	160,402	236,662	256,091	240,054	-	-
Three years later	N/A	N/A	125,000	171,482	170,898	325,000	271,699	-	-	-
Four years later	N/A	N/A	125,000	183,000	222,725	387,431	-	-	-	-
Five years later	N/A	N/A	128,750	183,000	222,725	-	-	-	-	-
Six years later	N/A	N/A	128,750	183,000	-	-	-	-	-	-
Seven years later	N/A	N/A	128,750	-	-	-	-	-	-	-
<b>5. Re-estimated incurred losses and expense:</b>										
End of accident year	N/A	N/A	161,980	194,075	360,387	413,417	426,125	517,525	225,754	249,791
One year later	N/A	N/A	128,780	183,000	265,440	382,872	496,406	228,921	204,449	-
Two years later	N/A	N/A	128,780	183,000	246,988	394,409	292,559	282,463	-	-
Three years later	N/A	N/A	125,000	183,000	238,434	375,000	332,815	-	-	-
Four years later	N/A	N/A	125,000	183,000	222,725	471,822	-	-	-	-
Five years later	N/A	N/A	128,750	183,000	222,725	-	-	-	-	-
Six years later	N/A	N/A	128,750	183,000	-	-	-	-	-	-
Seven years later	N/A	N/A	128,750	-	-	-	-	-	-	-
<b>6. Increase (decrease) in estimated incurred losses and expenses from end of accident year</b>	N/A	N/A	(33,230)	(11,075)	(137,662)	58,405	(93,310)	(235,062)	(21,305)	-

N/A = Information not available.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

We have audited the financial statements of the Central Ohio Risk Management Association Self-Insurance Pool, Inc., Franklin County, Ohio, as of and for the fiscal year ended September 30, 2007, which collectively comprise the Central Ohio Risk Management Association Self-Insurance Pool's basic financial statements and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

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

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

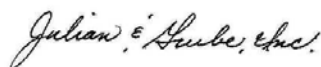
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

#### Compliance and Other Matters

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

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 March 21, 2008.

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



Julian & Grube, Inc.  
March 21, 2008



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  
MAY 6, 2008**