

**NORMA SELF  
INSURANCE POOL, INC.  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2016**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Trustees  
NORMA Self-Insurance Pool, Inc.  
6154 Mayfield Road  
Mayfield Heights, Ohio 44124

We have reviewed the *Independent Accountant's Report* of the NORMA Self-Insurance Pool, Inc., Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period October 1, 2015 through September 30, 2016. 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 NORMA Self-Insurance Pool, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 24, 2017

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**NORMA SELF INSURANCE POOL, INC.**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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TABLE OF CONTENTS

	<u>Page</u>
Independent Accountant's Report	1-2
Management's Discussion and Analysis	3-4
Financial Statements:	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-14
Required Supplementary Information	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Status of Prior Year's Audit Citations and Recommendations	18

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT**

To the Board of Trustees of  
NORMA Self Insurance Pool, Inc.

The Honorable Dave Yost  
Auditor of State  
The State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of NORMA Self-Insurance Pool, Inc. (NORMA), Cuyahoga County, Ohio as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise NORMA's basic financial statements as listed in the table of contents

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NORMA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NORMA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NORMA Self-Insurance Pool, Inc., Cuyahoga County, Ohio as of September 30, 2016, and the respective changes in financial position, and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***


#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 - 4 and *Ten-Year Claims Development Information* on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2016, on our consideration of NORMA Self-Insurance Pool, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NORMA Self-Insurance Pool, Inc.'s internal control over financial reporting and compliance.

James G. Zupka,  
CPA, President



Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jgzcpa@sbglobal.net, c=US  
Date: 2016.12.22 10:25:41 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 16, 2016



**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(Unaudited)**

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The discussion and analysis of the Northern Ohio Risk Management Association (NORMA) Self Insurance Pool, Inc.'s performance provides an overview of NORMA's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at NORMA's financial performance as a whole.

**FINANCIAL HIGHLIGHTS**

NORMA's net position decreased \$15,728. Total assets increased by \$138,990, and total liabilities increased by \$154,718.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand NORMA's financial position.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activity of NORMA as a whole. NORMA has only an enterprise fund and does not have any other funds.

**DESCRIPTION OF FINANCIAL STATEMENTS**

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how NORMA did financially during 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report NORMA's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of NORMA has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not.

**FINANCIAL ANALYSIS**

As previously noted, total assets increased by \$138,990, or 7.4 percent in 2016. Cash and cash equivalents increased \$108,161, and accounts receivable increased by \$30,871. The change in accounts receivable is a result of larger insurance recoveries. On the liability side, total liabilities increased by \$154,718 or 13.1 percent in 2016. Unpaid claims liability increased by \$171,779 in 2016. Total operating revenues decreased \$219,731 due to a decrease in recoveries received from the excess insurance provider. Total operating expenses decreased \$1,158,472 due to a decrease in claims paid. Ending net position was \$695,212 at September 30, 2016, compared to \$710,940 at September 30, 2015. A decrease in net position of \$15,728 had a negative impact on the financial condition of NORMA.

**NORMA SELF INSURANCE POOL, INC.  
 CUYAHOGA COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
 (Unaudited)**

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Table 1 provides a summary of NORMA's Statement of Net Position as of September 30, 2016 and the changes in net position for the year then ended, as compared to 2015.

	<u>2016</u>	<u>2015</u>
Total Assets	\$ 2,028,145	\$ 1,889,155
Total Liabilities	1,332,933	1,178,215
Total Net Position (Restricted)	500,852	336,150
Total Net Position (Unrestricted)	194,360	374,790
	<u>\$ 695,212</u>	<u>\$ 710,940</u>
Total Revenues	\$ 2,040,163	\$ 2,259,914
Total Expenses	<u>2,055,891</u>	<u>3,214,363</u>
Change In Net Position	(15,728)	(954,449)
Net Position at Beginning of Year	710,940	1,665,389
Net Position at End of Year	<u>\$ 695,212</u>	<u>\$ 710,940</u>

**BUDGETARY HIGHLIGHTS**

NORMA does not draft or approve a budget in the tradition of most government agencies. The insurance adjuster reviews NORMA's prior claims history and helps NORMA set billing rates for its eleven members for the following year. This process is completed in October of each year. If the rates are set too high, and/or the claims are overestimated, NORMA will have an increase in net position. If the rates are set too low, and/or the claims are underestimated, NORMA will have a decrease in net position.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of NORMA's finances for all those interested in NORMA's well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Robert Tribby, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

**NORMA SELF INSURANCE POOL, INC.  
CUYAHOGA COUNTY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

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**ASSETS**

**Current Assets:**

Equity in Pooled Cash and Cash Equivalents	\$ 1,989,031
Accounts Receivable	38,959
Prepaid Items	<u>155</u>

**Total Assets** 2,028,145

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	1,204
Unpaid Claims Liability	<u>1,331,729</u>

**Total Liabilities** 1,332,933

**NET POSITION**

Restricted	500,852
Unrestricted	<u>194,360</u>

**Total Net Position** \$ 695,212

The notes to the financial statements are an integral part of this statement.

**NORMA SELF INSURANCE POOL, INC.  
 CUYAHOGA COUNTY  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**OPERATING REVENUES**

Membership Contribution	\$ 1,394,363
Loss Fund Deposits	600,000
Loss Recoveries	39,436
Loss Fund Reimbursements	6,332
<b>Total Operating Revenues</b>	<b>2,040,131</b>

**OPERATING EXPENSES**

Excess Insurance Premiums and Administrative Services	1,411,494
Loss and Loss Adjustments	629,959
Professional Fees	14,274
Other	164
<b>Total Operating Expense</b>	<b>2,055,891</b>

Operating (Loss)	(15,760)
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**NONOPERATING REVENUES**

Investment Income	32
<b>Total Nonoperating Revenues</b>	<b>32</b>

Change in Net Position	(15,728)
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Net Position - Beginning of Year	710,940
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<b>Net Position - End of Year</b>	<b>\$ 695,212</b>
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The notes to the financial statements are an integral part of this statement.

**NORMA SELF INSURANCE POOL, INC.  
 CUYAHOGA COUNTY  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received for Premiums	\$ 2,009,212
Cash Paid for Premiums and Claims	(1,869,851)
Cash Payments to Vendors for Services	<u>(31,232)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>108,129</u>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest on Investments	<u>32</u>
<b>Net Cash Provided by Investing Activities</b>	<u>32</u>
 Net Increase in Cash and Cash Equivalents	 108,161
 Cash and Cash Equivalents - Beginning of Year	 <u>1,880,870</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 1,989,031</u></b>
 <b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>	
Operating (Loss)	\$ (15,760)
(Increase) Decrease in Assets:	
Accounts Receivable	(30,871)
Prepaid Items	42
Increase (Decrease) in Liabilities:	
Accounts Payable	(17,013)
Unearned Revenue	(48)
Unpaid Claims Liability	<u>171,779</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 108,129</u></b>

The notes to the financial statements are an integral part of this statement.

**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**NOTE 1: FINANCING REPORTING ENTITY**

The Northern Ohio Risk Management Association, Inc. (NORMA) began operations on October 1, 1987 and is a joint Self-Insurance Pool under Chapter 2744.081 of the Ohio Revised Code for the public purpose of enabling subscribing political subdivisions to obtain insurance and to provide for a formalized, jointly administered self-insurance fund for its members. NORMA currently provides property and casualty insurance to its members. NORMA is administered by a Board of Trustees appointed by members of the Association.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Pool accounts for its activities in an enterprise fund and the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), provided that they do not conflict or contradict statements issued by the Government Accounting Standards Board (“GASB”). 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* and GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* provides standards for accounting and reporting that apply to public entity risk pools.

**Revenue Recognition Policy**

Required contributions are recognized as revenue evenly over the policy year. NORMA’s policy year runs from October 1 to September 30.

**Loss Reserve Surplus (Deficiency)**

A loss reserve deficiency is an estimate of the additional funds needed to meet the indicated reserves requirement for claims pending, claims incurred but not reported, and claims adjustment expenses. Conversely, a loss reserve surplus is the amount the cash reserve exceeds the reserve requirement. The estimated indicated reserve determined by an actuarial study performed as of September 30, 2016 was \$1,331,729.

NORMA’s cash reserve for claims was \$500,852 at September 30, 2016. At September 30, 2016, NORMA has a loss reserve surplus of \$657,302, which is included in unrestricted and restricted net position. Management believes that the cash reserve for unpaid losses is adequate for current needs, and the Board of Trustees has the authority in the Agreement and Bylaws, Section VIII (Finances and Risk Management) to make calls for supplementary payments in accordance with paragraph D to increase cash reserves if the need arises. The ultimate cost, however, may be more or less than the estimated indicated reserve at September 30, 2016. Losses in any membership year are a contractual obligation of the members of that respective year; a surplus in any membership year may be distributed when such membership year is determined to be closed. At the close of a membership year, the members’ proportionate share of any related surplus to be refunded will be determined based on contributions made by each member in that year, as defined in the NORMA bylaws.

**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Members' Deposits**

The members' deposits represent funds provided by members, in which each maintains its vested ownership interest. Members' amounts are intended to be available to provide liquidity in respective membership years. Initial contributions represent a \$5,000 deposit required from each member to join NORMA.

**Membership Contributions**

Contributions are determined in advance of each membership year based on the individual member's revenue base as defined in the NORMA bylaws, and on the funding of the membership year. Membership contributions pay excess insurance premiums.

**Contribution Deficiency Receivable and Liability**

Contribution deficiency liability results from the difference between estimated claims costs including claims incurred but not recorded, and existing reserves and unearned future premiums. Future investment income is excluded from the calculation. Contribution deficiency receivable is recorded in an amount equal to the liability. Any increase in the receivable and liability from the prior year is recorded as revenue and expense in that year.

**Loss of Fund Deposits**

This amount, determined by the Board of Trustees, represents deposits, allocated based on each member's participation percentage, to cover future losses from current year experience. Deposits not needed can be refunded to the members in the future at the discretion of the Board of Trustees. Loss fund deposits are billed quarterly for the current quarter.

**Excess Insurance Premiums**

Premiums represent payments to NORMA's insurance administrator for excess insurance coverage. Excess insurance premiums expense for policy year October 1, 2015 to September 30, 2016 totaled \$1,356,815.

**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Loss and Loss Adjustments**

Each loss has a \$1,000 to \$2,500 per-occurrence deductible, which is paid by the applicable member responsible for each claim. NORMA is responsible for all payments from the deductible amount to \$100,000 per occurrence for policy years beginning October 1, 2000. From October 1, 1989 to September 30, 2000, the occurrence limit was \$150,000. Prior to October 1, 1989, the occurrence limit was \$100,000. NORMA has an annual aggregate stop loss insurance policy which limits its total liability each policy year to the following amounts:

October 1, 2000 to September 30, 2016	\$ 750,000
October 1, 1997 to September 30, 2000	450,000
October 1, 1996 to September 30, 1997	500,000
October 1, 1994 to September 30, 1996	775,000
October 1, 1993 to September 30, 1994	675,000
October 1, 1990 to September 30, 1993	550,000
October 1, 1989 to September 30, 1990	No Coverage
October 1, 1987 to September 30, 1989	400,000

NORMA has purchased excess insurance which will pay claims in excess of the self-insured retention up to certain limits. NORMA is, and ultimately the participants are, contingently liable should any excess insurance provider become unable to meet its obligations under the insurance policies.

**Membership**

The original members of NORMA from commencement of the Pool (October 1, 1987) include the cities of Bedford Heights, Highland Heights, Mayfield Heights, Richmond Heights, South Euclid and the Village of Chagrin Falls. Effective February 1, 1989, the Cities of Eastlake and Solon became members of NORMA. The Cities of Maple Heights and Hudson became members effective October 1, 1993 and August 30, 1995, respectively. The City of University Heights became a member effective November 1, 2008. All remain members at September 30, 2016.



**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Unpaid Claims Liability**

NORMA establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses and of claims that have been incurred but not reported. Estimated amounts of excess insurance recoverable are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are re-computed annually by an actuary using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Net Position**

Net position represents the excess of revenues over expenses since inception. It is displayed in two components as follows:

*Restricted* - This consists of net position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

*Unrestricted* - This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

As of September 30, 2016, NORMA does have \$500,852 in “restricted” net position. The NORMA Board of Directors may authorize the distribution of all or part of the net position to those members who constituted the self-insurance pool during the years when such surplus member funds were earned, provided that such members must also be members of NORMA in the year in which said distribution is made.

In the event of the dissolution of NORMA, any funds which remain unencumbered after all claims and all other NORMA obligations have been paid shall be distributed only to the cities which are members of NORMA immediately prior to its dissolution. Any such surplus funds shall be distributed to members in proportion to their interest in the surplus funds.

**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Risk Management**

NORMA is exposed to various risks of loss incurred by members related to property loss, torts, and errors and omissions, up to the limit of its self insured retention. NORMA is also exposed to the limit of liability for property and third party liability provided to members, in the unlikely event that NORMA reinsurers and excess insurance carriers would be unable to fulfill their financial obligations to NORMA.

**Subsequent Events**

NORMA has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is December 16, 2016 and has determined there were no material subsequent events or transactions.

**Cash and Cash Equivalents**

For cash flow purposes, NORMA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2016, the NORMA has implemented GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Pool.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Pool.

**NORMA SELF INSURANCE POOL, INC.**  
**CUYAHOGA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(CONTINUED)**

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NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Pool.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Pool.

NOTE 4: **DEPOSITS**

State statutes classify monies held by NORMA into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the NORMA treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Custodial Credit Risk - is the risk that in the event of bank failure, NORMA's deposits may not be returned to it. Protection of NORMA's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of NORMA funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of NORMA's deposits was \$1,989,031 and the bank balance was \$1,991,936. Of the bank balance \$676,761 was covered by Federal depository insurance and \$1,315,175 was uninsured and collateralized with securities held by the pledging institution's trust department, not in NORMA's name.

**NORMA SELF INSURANCE POOL, INC.  
 CUYAHOGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
 (CONTINUED)**

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**NOTE 5: UNPAID CLAIMS LIABILITY**

As discussed in Note 2, NORMA records a liability for reported and unreported insured events. The Schedule below presents the changes in claims liabilities during the fiscal year ended September 30, 2016 and for the fiscal year ended September 30, 2015.

	<u>2016</u>	<u>2015</u>
Unpaid Claims Liability, Beginning of Year	\$ 1,159,950	\$ 1,282,809
Current Year Estimated Liability and Change to Prior Year's Estimates	629,959	1,750,083
Claims Paid in the Current Year for Current and Prior Years	<u>(458,180)</u>	<u>(1,872,942)</u>
Unpaid Claims Liability, End of Year	<u>\$ 1,331,729</u>	<u>\$ 1,159,950</u>

At September 30, 2016, the estimated ultimate loss of \$1,401,820, net of amounts paid to date, is reported as unpaid claims liability at a net present value of \$1,331,729. The amount is discounted at annual rate of 5 percent.

**NORMA SELF INSURANCE POOL, INC.  
REQUIRED SUPPLEMENTARY INFORMATION  
CLAIMS DEVELOPMENT INFORMATION**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Required Contributions and Investment Revenue:										
Earned	1,994,395	1,967,578	1,803,335	1,816,256	1,183,372	1,545,853	1,519,074	1,489,587	1,530,343	1,822,325
Ceded	2,041,453	3,191,724	2,678,337	2,003,431	1,495,437	2,095,395	1,776,342	1,077,078	401,696	1,162,624
Net Earned	(47,058)	(1,224,146)	(875,002)	(187,175)	(312,065)	(549,542)	(257,268)	412,509	1,128,647	659,701
Unallocated Expenses	14,438	22,639	40,699	33,499	27,249	22,581	30,048	26,701	22,984	22,192
Estimated Claims & Expenses, End of Policy Year										
Incurred	346,023	403,856	612,605	568,097	487,912	550,029	140,447	501,603	290,944	217,132
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	346,023	403,856	612,605	568,097	487,912	550,029	140,447	501,603	290,944	217,132
Net Paid (Cumulative) as of:										
End of Policy Year	133,194	325,826	262,759	191,691	234,582	256,418	77,747	258,877	152,919	82,689
One Year Later	-	422,732	505,868	411,707	386,927	596,639	88,904	480,246	238,108	150,305
Two Years Later	-	-	625,767	648,328	491,420	638,396	169,554	597,263	347,762	195,540
Three Years Later	-	-	-	776,873	562,715	691,015	316,967	597,414	475,445	206,928
Four Years Later	-	-	-	-	568,775	728,301	456,278	611,455	546,250	207,053
Five Years Later	-	-	-	-	-	861,208	457,072	601,783	624,007	207,053
Six Years Later	-	-	-	-	-	-	462,072	697,798	628,234	207,053
Seven Years Later	-	-	-	-	-	-	-	816,722	628,234	204,554
Eight Years Later	-	-	-	-	-	-	-	-	648,271	204,554
Nine Years Later	-	-	-	-	-	-	-	-	-	316,111
Re-Estimated Ceded Claims & Expenses	-	-	-	-	-	-	-	-	-	-
Re-Estimated Net Incurred Claims & Expenses:										
End of Policy Year	346,023	403,856	612,605	568,097	487,912	550,029	140,447	501,603	290,944	217,132
One Year Later	-	573,505	649,158	660,257	608,588	786,768	227,642	652,275	376,536	236,305
Two Years Later	-	-	822,174	754,208	543,429	770,411	377,896	618,530	499,034	275,790
Three Years Later	-	-	-	776,873	579,778	707,944	404,113	597,414	553,648	210,372
Four Years Later	-	-	-	-	568,775	728,301	456,425	611,455	624,207	207,053
Five Years Later	-	-	-	-	-	861,208	457,072	652,798	654,027	207,053
Six Years Later	-	-	-	-	-	-	462,072	697,798	628,234	207,053
Seven Years Later	-	-	-	-	-	-	-	851,722	628,234	204,554
Eight Years Later	-	-	-	-	-	-	-	-	648,271	204,554
Nine Years Later	-	-	-	-	-	-	-	-	-	316,111
Increase (Decrease) in Estimated Net Incurred Claims & Expenses from End of Policy Year	-	(169,649)	(36,555)	(186,111)	(91,866)	(178,272)	(316,625)	(196,195)	(337,290)	(98,979)

The accompanying notes are an integral part of these Financial Statements

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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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**

To the Board of Trustees of  
NORMA Self Insurance Pool, Inc.  
6154 Mayfield Road  
Mayfield Heights, Ohio 44124

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the 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, the financial statements of NORMA Self Insurance Pool, Inc. (NORMA), Cuyahoga County, Ohio as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise NORMA's basic financial statements and have issued our report thereon dated December 16, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NORMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NORMA's internal control. Accordingly, we do not express an opinion of the effectiveness of NORMA's internal control.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of NORMA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NORMA's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NORMA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NORMA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**James G. Zupka,**  
**CPA, President**

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2016.12.22 10:26:21 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 16, 2016

**NORMA SELF INSURANCE POOL, INC.**  
**STATUS OF PRIOR YEAR'S AUDIT CITATIONS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR SEPTEMBER 30, 2016**

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The prior audit report, for the fiscal year ended September 30, 2015, reported no material citations. The management letter recommendations have been repeated, corrected, or procedures instituted to prevent occurrences in this audit period.





# Dave Yost • Auditor of State

**NORMA SELF INSURANCE POOL, INC**

**CUYAHOGA 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  
MARCH 9, 2017**