

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

AUDIT REPORT

**FOR THE NINE MONTH PERIOD
ENDED SEPTEMBER 30, 2012**

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 period January 1, 2012 through September 30, 2012. 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

April 10, 2013

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NORMA SELF INSURANCE POOL, INC.
AUDIT REPORT
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

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

We have audited the accompanying basic financial statements of the NORMA Self-Insurance Pool, Inc. (NORMA), Cuyahoga County, Ohio as of and for the nine month period ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of NORMA'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 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 financial position of the NORMA Self-Insurance Pool, Inc., Cuyahoga County, Ohio as of September 30, 2012, and the respective changes in its financial position, and cash flows thereof for the nine month period then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, NORMA changed its fiscal year end.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2013, on our consideration of the NORMA Self-Insurance Pool, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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 Claim Development Information* on page 16 be included to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 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.



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

March 6, 2013

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(Unaudited)

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, 2012. 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 \$464,254. Total assets decreased by \$946,820, and total liabilities decreased by \$482,566.

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.

In 2012, the Board of Trustees voted to change the fiscal year end for NORMA from December 31 to September 30. This change in the fiscal year coincides with the policy year for which insurance is provided to the member entities. As a result of this change only nine months of activity is presented for the fiscal year 2012 financial statements.

DESCRIPTION OF FINANCIAL STATEMENTS

The Statements of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how NORMA did financially during 2012. 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 assets and changes in net assets. This change in net assets 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.

**NORMA SELF INSURANCE POOL, INC.
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
 (Unaudited)**

FINANCIAL ANALYSIS

As previously noted, total assets decreased by \$946,820, or 25.2 percent in 2012. Cash and Cash Equivalents decreased \$193,967, and prepaid items decreased by \$735,236. On the liability side, total liabilities decreased by \$482,566 or 22.5 percent in 2012. Deferred revenue decreased by \$772,474 and unpaid claims liability increased by \$286,956 in 2012. The changes in both prepaid items and deferred revenue are a direct result of the change in fiscal year end. Total operating revenues were down \$714,822 and total operating expenses were also down \$395,290. Ending net position was \$1,156,931 at September 30, 2012, compared to \$1,621,185 at December 31, 2011. A decrease in net assets of \$464,254 had a negative impact on the financial condition of NORMA.

Table 1 provides a summary of NORMA's Statement of Net Position as of September 30, 2012 and the changes in net assets for the year then ended, but does not present a comparative analysis to fiscal year 2011 as fiscal year 2011 had a different fiscal year end than fiscal year 2012.

	<u>2012</u>
Total Assets	\$ 2,816,817
Total Liabilities	<u>1,659,886</u>
Total Net Position (Restricted)	1,771,723
Total Net Position (Unrestricted)	<u>(614,792)</u>
Total Revenues	1,258,432
Total Expenses	<u>1,722,686</u>
Net Changes in Net Position	(464,254)
Net Position at Beginning of Year	<u>1,621,185</u>
Net Position at End of Year	<u><u>\$ 1,156,931</u></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 assets. If the rates are set too low, and/or the claims are underestimated, NORMA will have a decrease in net assets.

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.
STATEMENT OF NET POSITION
SEPTEMBER 30, 2012

ASSETS

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$2,811,862
Accounts Receivable	4,839
Prepaid Items	<u>116</u>

TOTAL ASSETS 2,816,817

LIABILITIES

Current Liabilities:

Accounts Payable	7,190
Unpaid Claims Liability	<u>1,652,696</u>

TOTAL LIABILITIES 1,659,886

NET POSITION

Restricted	1,771,723
Unrestricted	<u>(614,792)</u>

TOTAL NET POSITION \$ 1,156,931

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

NORMA SELF INSURANCE POOL, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

<u>OPERATING REVENUES</u>	
Membership Contributions	\$ 772,474
Loss Fund Deposits	412,459
Loss Recoveries	24,702
Loss Fund Reimbursements	<u>48,358</u>
TOTAL OPERATING REVENUES	<u>1,257,993</u>
<u>OPERATING EXPENSES</u>	
Excess Insurance Premiums and Administrative Services	760,200
Losses and Loss Adjustments	935,237
Professional Fees	26,893
Other	<u>356</u>
TOTAL OPERATING EXPENSES	<u>1,722,686</u>
Operating Income (Loss)	<u>(464,693)</u>
<u>NONOPERATING REVENUE</u>	
Interest Income	<u>439</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>439</u>
Changes in Net Position	(464,254)
Net Position Beginning of Year	<u>1,621,185</u>
Net Position End of Year	<u><u>\$ 1,156,931</u></u>

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

NORMA SELF INSURANCE POOL, INC.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

<u>Cash Flows from Operating Activities</u>	
Cash Received for Premiums	\$ 503,136
Cash Paid for Premiums and Claims	(673,601)
Cash Payments to Vendors for Services	<u>(23,941)</u>
Net Cash Provided (Used) by Operating Activities	<u>(194,406)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	<u>439</u>
Net Cash Provided (Used) by Investing Activities	<u>439</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(193,967)
Cash and Cash Equivalents Beginning of Year	<u>3,005,829</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 2,811,862</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ (464,693)
(Increase) Decrease in Assets:	
Accounts Receivable	17,617
Prepaid Items	735,236
Increase (Decrease) in Liabilities:	
Accounts Payable	2,952
Unearned Revenue	(772,474)
Unpaid Claims Liability	<u>286,956</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (194,406)</u></u>

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

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

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.

In 2012, the Board of Trustees voted to change the fiscal year end for NORMA from December 31, to September 30. This change in the fiscal year coincides with the policy year for which insurance is provided to the member entities. As a result of this change only nine months of activity is presented for the fiscal year 2012 financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

NORMA prepares its financial statements in accordance with Government Accounting Standards Board (GASB) Statements Nos. 10, 30, 34, and 62.

GASB 10 and 30 provide accounting and reporting standards that apply to public entity risk pools, and require public risk pools to account for their activities using proprietary fund accounting. Proprietary activities are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Private - sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(CONTINUED)

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

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, 2012 was \$1,652,696.

NORMA's cash reserve for claims was \$1,771,723 at September 30, 2012. At September 30, 2012 NORMA has a loss reserve surplus of \$1,101,931, which is included in unrestricted and restricted net assets. 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, 2012. 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.

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.

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(CONTINUED)

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

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, 2011 to September 30, 2012 totaled \$897,286.

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:

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(CONTINUED)

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

Loss and Loss Adjustments (Continued)

October 1, 2000 to September 30, 2012	\$ 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, 2012.

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.

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(CONTINUED)

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

Unpaid Claims Liability (Continued)

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

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

Unrestricted - This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

As of September 30, 2012, NORMA does have \$1,771,723 in “restricted” net position. The NORMA Board of Directors may authorize the distribution of all or part of the net assets 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 NINE MONTH PERIOD ENDING SEPTEMBER 30, 2012
(CONTINUED)

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 assets date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is March 6, 2013 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 period 2012, the NORMA Self-Insurance Pool, Inc. has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - and amendment of GASB Statement No. 53" Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 65, "Items Previously Reported as Assets and Liabilities".

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDING SEPTEMBER 30, 2012
(CONTINUED)

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 62 incorporates into GASB authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which do not conflict or contradict GASB pronouncements. The implementation of this statement did not result in any change in NORMA Self-Insurance Pool Inc.'s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in NORMA Self-Insurance Pool, Inc.'s fiscal period 2012 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in NORMA Self-Insurance Pool, Inc.'s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in NORMA Self-Insurance Pool, Inc.'s fiscal period 2012 financial statements; however, there was no effect on beginning net position.

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.

NORMA SELF INSURANCE POOL, INC.
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(CONTINUED)

NOTE 4: **DEPOSITS** (Continued)

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 \$2,811,862 and the bank balance was \$2,853,556. Of the bank balance \$500,000 was covered by Federal depository insurance and \$2,353,556 was uninsured and collateralized with securities held by the pledging institution's trust department, not in NORMA's name.

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 nine month period ended September 30, 2012 and for the year ended December 30, 2011.

	<u>2012</u>	<u>2011</u>
Unpaid Claims Liability, Beginning of Year	\$ 1,365,740	\$ 1,256,606
Current Year Estimated Liability and Change to Prior Year's Estimates	629,098	861,975
Claims Paid in the Current Year for Current and Prior Years	<u>(342,142)</u>	<u>(752,841)</u>
Unpaid Claims Liability, End of Year	<u>\$ 1,652,696</u>	<u>\$ 1,365,740</u>

At September 30, 2012, the estimated ultimate loss of \$1,739,680, net of amounts paid to date is reported as unpaid claims liability at a net present value of \$1,652,696. The amount is discounted at annual rate of 5 percent.

NORMA SELF INSURANCE POOL, INC.
SUPPLEMENTARY SCHEDULE
CLAIMS DEVELOPMENT INFORMATION

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Required Contribution and Investment Revenue:										
Earned	\$ 1,183,372	\$ 1,545,853	\$ 1,519,074	\$ 1,489,587	\$ 1,530,343	\$ 1,822,325	\$ 1,597,244	\$ 1,455,487	\$ 1,388,770	\$ 1,307,796
Ceded	1,495,437	2,095,395	1,776,342	1,077,078	401,696	1,162,624	1,145,130	1,059,739	1,295,353	1,625,681
Net Earned	(310,065)	(549,542)	(257,268)	412,509	1,128,647	659,701	452,114	395,748	93,417	(317,885)
Unallocated Expenses	27,249	22,581	30,048	26,701	22,984	22,192	24,985	23,980	21,958	28,018
Estimated Claims & Expenses. End of Policy Year										
Incurred	487,912	550,029	140,447	501,603	290,944	217,132	257,989	188,126	297,432	390,605
Ceded	0	0	0	0	0	0	0	0	0	0
Net Incurred	487,912	550,029	140,447	501,603	290,944	217,132	257,989	188,126	297,432	390,605
Net Paid (Cumulative) as of:										
End of Policy Year	234,582	256,418	77,747	258,877	152,919	82,689	72,441	63,990	93,933	125,112
One Year Later	0	596,639	88,904	480,246	238,108	150,305	205,313	127,704	186,573	266,369
Two Years Later	0	0	169,554	597,263	347,762	195,540	324,913	157,226	174,339	397,583
Three Years Later	0	0	0	597,414	475,445	206,928	363,976	384,694	267,092	367,448
Four Years Later	0	0	0	0	546,250	207,053	409,688	479,893	300,701	498,045
Five Years Later	0	0	0	0	0	207,053	409,738	476,893	301,396	625,406
Six Years Later	0	0	0	0	0	0	409,738	476,892	301,396	625,406
Seven Years Later	0	0	0	0	0	0	0	476,893	301,396	625,406
Eight Years Later	0	0	0	0	0	0	0	0	301,396	625,407
Nine Years Later	0	0	0	0	0	0	0	0	0	625,406
Re-Estimated Ceded Claims & Expenses	0	0	0	0	0	0	0	0	0	0
Re-Estimated Net Incurred Claims & Expenses:										
End of Policy Year	487,912	550,029	140,447	501,603	290,944	217,132	257,989	188,126	297,432	390,605
One Year Later	0	786,768	227,642	652,275	376,536	236,305	337,582	187,704	411,909	524,546
Two Years Later	0	0	377,896	618,530	449,034	275,790	432,517	253,538	409,997	571,768
Three Years Later	0	0	0	597,414	553,648	210,372	414,000	448,756	247,819	396,112
Four Years Later	0	0	0	0	624,207	207,053	409,688	476,893	324,499	519,255
Five Years Later	0	0	0	0	0	207,053	409,738	476,893	301,396	625,406
Six Years Later	0	0	0	0	0	0	409,738	476,892	301,396	625,406
Seven Years Later	0	0	0	0	0	0	0	476,893	301,396	625,406
Eight Years Later	0	0	0	0	0	0	0	0	301,396	625,407
Nine Years Later	0	0	0	0	0	0	0	0	0	625,406
Increase (Decrease) in Estimated Net Incurred Claims & Expenses From End of Policy Year	0	236,739	237,449	95,811	333,263	(10,079)	151,749	288,767	3,964	234,801

NOTE: In 2012, the fiscal year was changed to correspond with the policy year end of September 30th. In prior years, fiscal year ended December 31st.

The accompanying notes are an integral part of these financial statements.

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

Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

**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 the
NORMA Self Insurance Pool, Inc.
6154 Mayfield Road
Mayfield Heights, Ohio 44124

To the Board of Trustees:

We have audited the financial statements of the NORMA Self Insurance Pool, Inc. (NORMA), Cuyahoga County, Ohio as of and for the nine month period ended September 30, 2012, and have issued our report thereon dated March 6, 2013, wherein we noted that NORMA changed its fiscal year end. 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 Controls Over Financial Reporting

Management of the NORMA Self Insurance Pool, Inc., is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NORMA'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 NORMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NORMA Self Insurance Pool, Inc.'s, internal control over financial reporting.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORMA'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 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 certain matters that we reported to management of NORMA Self Insurance Pool, Inc., Ohio, in a separate letter dated March 6, 2013.

This report is intended solely for the information and use of the management, Board of Trustees, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.


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

March 6, 2013

NORMA SELF INSURANCE POOL, INC.
STATUS OF PRIOR YEAR'S AUDIT CITATIONS AND RECOMMENDATIONS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

The prior audit report, for the year ended December 31, 2011, reported no material citations. The management letter recommendations have been repeated, corrected, or procedures instituted to prevent occurrences in this audit period.

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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
APRIL 23, 2013**