

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION (“BORMA”), INC.  
WOOD COUNTY, OHIO**

**FINANCIAL STATEMENT  
(AUDITED)**

***FOR THE ELEVEN MONTHS ENDED  
November 30, 2014***

**BRIAN BUSHONG, TREASURER**





# Dave Yost • Auditor of State

Board of Trustees  
Buckeye Ohio Risk Management Association (BORMA), Inc.  
304 North Church Street  
Bowling Green, Ohio 43402

We have reviewed the *Independent Auditor's Report* of the Buckeye Ohio Risk Management Association (BORMA), Inc., Wood County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through November 30, 2014. 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 Buckeye Ohio Risk Management Association (BORMA), Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

June 1, 2015

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**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION, INC.  
WOOD COUNTY, OHIO**

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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

BORMA, Inc.  
c/o City of Bowling Green  
Wood County  
304 North Church Street  
Bowling Green, Ohio 43402

To the Board of Trustees:

***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of the Buckeye Ohio Risk Management Association (BORMA), Wood County, Ohio, as of and for the eleven months ended November 30, 2014.

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

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the BORMA's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the BORMA's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Independent Auditor's Report  
BORMA, Inc.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, BORMA prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though BORMA does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of BORMA as of November 30, 2014, or changes in financial position or cash flows thereof for the eleven months then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of BORMA, Wood County, Ohio as of November 30, 2014, and its cash receipts and disbursements for the eleven months then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of BORMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 BORMA's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
March 19, 2015

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**BORMA, INC.**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCE**  
**FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2014**

<b>Operating Receipts:</b>	
Member Contributions	\$ 372,412
Miscellaneous income	56,233
	428,645
<b>Operating Disbursements:</b>	
Insurance Premiums for Coverages	83,411
Claims Paid	409,849
Professional Fees	13,393
Service Fees	20
	506,673
Excess of Operating Disbursements over Operating Receipts	(78,028)
<b>Nonoperating Receipts:</b>	
Interest	3
	3
Change in Fund Cash Balance	(78,025)
<b>Cash Balance at Beginning of year</b>	<b>246,416</b>
<b>Cash Balance, End of the year</b>	<b>\$ 168,391</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

## **BORMA, INC.**

### **NOTES TO THE FINANCIAL STATEMENT FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2014**

#### **NOTE 1 - DESCRIPTION OF THE ENTITY**

The Buckeye Ohio Risk Management Association (“BORMA”), Inc. is an Ohio not-for-profit corporation organized under Section 2744.081 of the Ohio Revised Code for the public purpose of enabling its two member political subdivisions to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, BORMA provides coverage for automobile liability, general liability, crime and property (including automobile physical damage), law enforcement liability, ambulance attendant’s liability, miscellaneous errors and omissions, property claims, and public official’s liability. In addition to the self-insurance pool, BORMA provides risk management services, loss prevention programs and various other educational materials. The members of BORMA include the following municipalities within the State of Ohio: Bowling Green and Defiance. BORMA does not have any financial accountability over entities as defined by GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”, an amendment of GASB Statement No. 14 and No. 34.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. BASIS OF ACCOUNTING AND PRESENTATION**

This financial statement is prepared using another comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. Except for modifications having substantial support, receipts are recorded in the Organization’s financial records when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Organization are described in the appropriate section in this note. All transactions are accounted for in a single enterprise fund.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

##### **B. CASH AND INVESTMENTS**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer’s investment pool) is valued at amounts reported by the State Treasurer.

## **BORMA, INC.**

### **NOTES TO THE FINANCIAL STATEMENT FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2014**

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

##### **C. MEMBER AND SUPPLEMENTAL CONTRIBUTIONS**

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of the Organization and to create reserves for claims and unallocated loss adjustment expenses. Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Organization and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

##### **D. USE OF ESTIMATES**

The preparation of the financial statement requires management to make estimates and assumptions that affect the reported amounts of cash receipts and disbursements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

##### **E. LOSS RESERVE**

Provisions for claims reserves and loss adjustment disbursements (Note 6) are based on information reported by members and are calculated by the Organization's Actuary. These amounts represent an estimate of reported unpaid claims, plus a provision for claims incurred and not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. The Organization's management believes that the claims reserve is reasonable in the circumstances; however, actual incurred losses may not conform to the assumptions inherent in the determination of the reserve. Accordingly, the ultimate settlement of losses may vary materially from the estimated amounts disclosed in Note 6. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

##### **F. REINSURANCE**

The Organization is a member of Public Entity Risk Consortium, a public entity risk-sharing pool which functions as a reinsurer for its member entities. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Organization as direct insurer of the risks reinsured. The Organization is contingently liable with respect to certain loss coverage which would become a liability in the event these insurance carriers are unable to meet obligations under these reinsurance contracts.

**BORMA, INC.**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2014**

**NOTE 3 - CASH AND INVESTMENTS**

The carrying amount of the Organization’s cash and investments at November 30, 2014 were as follows:

<u>Cash &amp; Cash Equivalents:</u>	
Demand deposits	\$ 159,656
Investments:	
STAR Ohio	<u>8,735</u>
Total deposits and investments	<u>\$ 168,391</u>

*Deposits:* Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

*Investments:* Investments in STAR Ohio are valued at STAR Ohio’s shares price, which is the price the investment could be sold for on November 30, 2014. The investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form.

**NOTE 4 - SELF-INSURED RETENTION**

The Organization retains responsibility of claims within specified self-insured retention limits prior to the application of coverage provided by excess reinsurance contracts. The Organization’s per-occurrence retention limit is \$25,000 for all claims. The Organization collectively represents its members as members within the Public Entity Risk Consortium (“PERC”) pool. Under PERC, member entities maintain their present retention structure and the present retention effectively becomes a maintenance deductible under PERC. PERC then self-insures a primary portion over individual member retentions up to \$250,000 per occurrence for property coverages and \$500,000 for liability coverages, both inclusive of the member’s retention (e.g. for property coverage, PERC self-insures \$225,000 in excess of the Organization’s \$25,000 self-insured amount). PERC has a stop loss retention of \$1,650,000 per year, purchasing excess insurance coverage above its retention.

**BORMA, INC.**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2014**

**NOTE 5 - EXCESS INSURANCE CONTRACTS**

The Organization maintains excess insurance contracts with insurance carriers (including PERC) which provide various limits of coverage of the Organization's self-insured retention limits.

In the event that a series of losses or a single loss should exceed the aggregate amount of coverage provided by the self-insurance fund and the excess reinsurance, then the payment of any noncovered loss and any amount of supplementary payments for which the member is obligated is the obligation of the individual member or members against which the claim or claims were made.

**NOTE 6 - LOSS RESERVE**

As discussed in Note 2, the Organization's loss reserve (not recorded in the accompanying financial statement) includes both reported and unreported insured events and estimated future payments of losses and related loss adjustment disbursements. The actuarially estimated loss reserve for the Organization as of November 30, 2014 was \$305,253. The amount available to pay claims at November 30, 2014 was \$168,391.

**NOTE 7 - MISCELLANEOUS INCOME**

Miscellaneous income consists of prior year premiums being reimbursed based on current year costs.



## **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 on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

BORMA, Inc.  
c/o City of Bowling Green  
Wood County  
304 North Church Street  
Bowling Green, Ohio 43402

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Buckeye Ohio Risk Management Association (BORMA), Wood County, Ohio, as of and for the eleven months ended November 30, 2014, wherein we noted BORMA followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered BORMA's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of BORMA's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of BORMA's financial statement. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees  
BORMA, Inc.

***Compliance and Other Matters***

As part of reasonably assuring whether BORMA's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of BORMA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering BORMA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
March 19, 2015

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# Dave Yost • Auditor of State

**BUCKEYE OHIO RISK MANAGEMENT ASSOCIATION (BORMA)**

**WOOD 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  
JUNE 11, 2015**