

**BUCKEYE OHIO RISK MANAGEMENT AGENCY. INC.
BENEFITS POOL**

**FINANCIAL STATEMENTS
For the year ended December 31, 2007**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Buckeye Ohio Risk Management Agency, Inc. Benefits Pool
222 Meigs Street
Sandusky, Ohio 44870

We have reviewed the *Independent Auditor's Report* of the Buckeye Ohio Risk Management Agency, Inc. Benefits Pool, Erie County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Buckeye Ohio Risk Management Agency, Inc. Benefits Pool is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 11, 2008

This Page is Intentionally Left Blank.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. BENEFITS POOL

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statement of Net Assets	5
Statement of Activity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Required Supplemental Information	13
Independent Auditor's 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	14
Schedule of Findings	16
Schedule of Prior Audit Findings	17

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Buckeye Ohio Risk Management Association

We have audited the accompanying financial statements of the business-type activities of the employee benefits activity of the Buckeye Ohio Risk Management Agency, Inc. (BORMA), Ohio, as of and for the year ended December 31, 2007, which collectively comprise BORMA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of BORMA'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.

The accompanying statements were prepared to represent only the employee benefits activity of BORMA and are not intended to be a complete presentation of BORMA's activities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the employee benefits activity of BORMA, Ohio, at December 31, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2008 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 grants. 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 read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and claims development information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
July 29, 2008

THE BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended December 31, 2007

The discussion and analysis of The Buckeye Ohio Risk Management Agency, Inc.'s Benefits Pool (Agency) performance provides an overview of the Agency's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole.

HIGHLIGHTS

The Agency's net assets increased \$1,434,317. Total assets increased by \$1,709,243 and the total liabilities increased by \$274,926.

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 the Agency's financial position.

The Statement of Net Assets and the Statement of Activity provide information about the activity of the Agency as a whole.

DESCRIPTION OF FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activity reflect how the Agency did financially during 2007. 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 the Agency'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 the Agency 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.

BUDGETARY HIGHLIGHTS

The Agency does not draft or approve a budget in the tradition of most government agencies. The Board's consultant reviews the Agency's prior claims history and helps the agency set billing rates for its twelve 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, the Agency will have an increase in net assets. If the rates are set too low, and/or the claims are underestimated, the Agency will have a decrease in net assets.

THE BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended December 31, 2007

FINANCIAL ANALYSIS

Net Assets

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 4,621,669	\$ 2,912,426
Current and Other Liabilities	<u>3,257,875</u>	<u>2,982,949</u>
Unrestricted Net Assets	<u>1,363,794</u>	<u>(70,523)</u>

Change in Net Assets

Revenues

Membership Contributions	17,483,757	15,641,992
Rebates	73,755	248,760
Interest Income	190,163	135,822
Other Revenue	<u>17,988</u>	<u>-</u>
Total Revenues	<u>17,765,663</u>	<u>16,026,574</u>

Expenses

Insurance premium for coverages	756,384	874,464
Claims Expenses	14,625,163	15,791,144
Member Withdrawal Expense	924,334	-
Other Expenses	<u>25,465</u>	<u>20,918</u>
Total Expenses	<u>16,331,346</u>	<u>16,686,526</u>

Change in Net Assets	1,434,317	(659,952)
Net Assets, beginning of the year	(70,523)	589,429
Net Assets, end of the year	<u>\$ 1,363,794</u>	<u>\$ (70,523)</u>

As previously noted, total assets increased by \$1,709,243 or 58.69% in 2007. On the liability side, total liabilities increased by \$274,926 or 9.22% in 2007. Total revenues were up \$1,739,089 due to an increase in premiums charged to the members. Total expenses were down \$355,180 as a result of a decrease in claims expenses offset by an increase in Members Withdrawal expense. Ending net assets were \$1,363,794 in 2007 compared to \$(70,523) in 2006. Obviously, an increase in net assets of \$1,434,317 had a positive impact on the financial condition of the Agency. Per the Reserve Calculation conducted by MKC Benefit Consultants, LTD., the amounts held in reserve exceeded the calculated reserve required.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those interested in the Agency's well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Edward A. Widman, President, 222 Meigs Street, Sandusky, Ohio 44870.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. BENEFITS POOL

Statement of Net Assets December 31, 2007

Assets

Cash and Investments	\$ 4,524,809
Accounts receivable	96,860
Total assets	<u>\$ 4,621,669</u>

Liabilities

Member Withdrawal Liability	924,334
Loss reserves	<u>2,333,541</u>
Total liabilities	<u>3,257,875</u>

Net assets

Unrestricted net assets	1,363,794
Total net assets	<u>\$ 1,363,794</u>

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

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. BENEFITS POOL

Statement of Activity For the year ended December 31, 2007

Revenues

Membership contributions	\$ 17,483,757
Rebates	73,755
Interest income	190,163
Other revenues	17,988
Total revenues	<u>17,765,663</u>

Expenses

Insurance premium for coverages	756,384
Claims expenses	14,625,163
Member Withdrawal Expense	924,334
Other expenses	25,465
Total expenses	<u>16,331,346</u>

Change in Net Assets	1,434,317
Net assets, beginning of year	<u>(70,523)</u>
Net assets, end of year	<u><u>\$ 1,363,794</u></u>

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

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. BENEFITS POOL

Statement of Cash Flows For the year ended December 31, 2007

Cash flows from operating activities

Cash received from member contributions	\$ 17,386,897
Cash received from claim deductible recoveries	676,619
Cash received from rebates	73,755
Cash received from Cobra participants	17,989
Cash received from interest income	190,163
Cash payments of claims expenses	(15,534,620)
Cash payments for insurance premiums	(756,384)
Cash payments of other expenses	<u>(25,464)</u>
Net cash provided by operating activities	<u>2,028,955</u>
Net increase in cash and cash equivalents	2,028,955
Cash balance, beginning of year	<u>2,495,854</u>
Cash balance, end of year	<u><u>\$ 4,524,809</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	1,434,317
------------------	-----------

Adjustments to reconcile operating income to net cash provided by operating activities

Changes in assets and liabilities	
Decrease in other receivables	92,789
Decrease in reinsurance receivable	323,783
Increase in member contribution receivable	(96,860)
Increase in member withdrawal liability	924,334
Decrease in loss reserves	<u>(649,408)</u>
Net cash provided operating activities	<u><u>2,028,955</u></u>

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

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - FINANCIAL REPORTING ENTITY

Buckeye Ohio Risk Management Agency, Inc. - Benefits Pool (BORMA) is a not-for-profit, self-insurance pool created under Chapter 2744.081 of the Ohio Revised Code. BORMA's public purpose is to enable its members (political subdivisions) to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Benefits Pool provides health benefits to employees of its members. In addition to the self-insurance pool, BORMA provides risk management services. The members of BORMA include the following municipalities within the State of Ohio: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Shawnee Township, Upper Sandusky, Willard, and Wyandot County.

BORMA has, in addition to the benefits pool division, a property and liability insurance division. Members do not have to be part of both divisions. The accounting records are maintained separately and, therefore, these financial statements have excluded the property and liability insurance division.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Presentation

BORMA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards Board (GASB) Statement Nos. 10, 29, 30, 34 and 40, and GASB Interpretation No. 4.

GASB Statement Nos. 10 and 30 provide accounting and reporting standards that apply to public entity risk pools, and require public entity 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.

GASB Statement No. 29 allows proprietary entities to apply all Financial Accounting Standards Board statements and interpretations, excluding those limited to not-for-profit organizations, issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

B. Member and Supplemental Contributions

Member contributions are calculated annually to produce a sum of money within the self-insurance pool adequate to fund administrative expenses and to establish adequate 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 in 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.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Monies held by the Pool are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Pool. Active monies must be maintained as cash or bank deposits subject to the Federal Deposit Insurance Corporation \$100,000 limit, U.S. Treasury obligations with maturities of one year or less from initial offering, U.S. Government agency or instrumentality paper with a maturity of one year or less, the Ohio State Treasurer's Asset Reserve Fund (STAR Ohio) and loans with an agreement for the collateral to be repurchased by the borrower with a maturity not to exceed thirty days. Volatility of principal is not permitted. Financial risk is not acceptable, and because of the short investment time horizon of the funds, exposure to interest rate risk and purchasing power risk will be minimal.

Interim deposits are deposits of interim monies. 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. Interim deposits may be deposited or invested in the same securities as the active monies except maturities may be extended to two years provided the average weighted maturity does not exceed one year. Volatility of principal is not tolerated. The funds will be invested in nonvolatile, liquid investments to ensure payment for projects when due. Moderated income volatility is permitted. Financial risk is unacceptable, and because the investment time horizon of the fund is relatively short, exposure to interest rate risk and purchasing power risk will be minimal.

Inactive deposits are reserve funds for runoff claims after the dissolution of the benefits pool. Inactive deposits may be deposited or invested in the same securities as the interim monies except maturities may not exceed five years, provided the average weighted maturity does not exceed two years. Minimum volatility of principal may be tolerated in order to obtain additional income. Financial risk is unacceptable, and interest rate risk and purchasing power risk will be minimal.

Investments are reported at fair value. BORMA has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold.

BORMA considers cash and investments, both of which are short-term in nature, as cash in preparing the statement of cash flows.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Reinsurance Receivables

Amounts recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses are reported as reinsurance receivables and as reductions of claims expenses.

E. Prepaid Premiums

Member contributions paid in advance represent revenues of future periods and therefore are recorded as prepaid premiums on the Statement of Net Assets.

F. Administrative Expenses

Administrative expenses primarily consist of costs associated with the processing of claims payments and the purchase of loss control services. These expenses are reported as Claims Expenses on the Statement of Activities.

G. Claims Expenses

Claims Expenses include paid and unpaid claims and expenses associated with settling claims. The Loss Reserves liability is based on an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the ultimate cost of settling the claims.

H. Premium Deficiencies

Each year, in accordance with GASB Statement No. 10, BORMA determines whether or not a premium deficiency exists by calculating the difference between future contract revenues and future contract expenses. In the event future premiums are less than the sum of expected claims costs (including IBNR claims) and expected claim adjustment expenses, a premium deficiency loss or expense is recognized. BORMA does not take into consideration estimated investment income when determining if premium deficiencies exist.

I. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

BORMA follows the guidance of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement's required disclosures are as follows:

Deposits - At fiscal year-end, the carrying amount of BORMA's deposits was \$361,035 and the bank balance was \$735,497. Of the bank balance, \$157,095 was covered by federal depository insurance.

Investments - At year end, the fair value of investments treated as cash were as follows:

Money Market	\$3,783,747
STAR Ohio	<u>380,027</u>
	<u>\$4,163,774</u>

Custodial credit risk - Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, BORMA will be unable to recover the value of deposits, investments, or collateral securities in possession of an outside party. At December 31, 2007, BORMA's deposits and investments had no exposure to custodial credit risk. BORMA does not have a policy to limit custodial credit risk.

Credit Risk - Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. BORMA does not have a policy to limit credit risk. STAR Ohio has a quality rating of AAA while the money market funds are unrated.

Concentration of Credit Risk - Concentration of credit risk is the risk of inability to recover the value of deposits or investments in the possession of an outside party caused by a lack of diversification. BORMA does not have a policy to limit concentration of credit risk.

Interest Rate Risk - Interest rate risk is the risk that an interest rate change could adversely affect an investments fair value. BORMA does not have a policy to limit interest rate risk. At fiscal year-end, all investments had a maturity of less than one year.

NOTE 4 - REINSURANCE CEDED

BORMA reinsures certain risks with Intermediary Insurance Services to limit its losses for large aggregate and individual losses. The plan year is January 1 through December 31. Reinsurance premiums ceded during the fiscal year totaled \$756,384.

Estimated amounts recoverable from excess insurers and reinsurers as of the balance sheet date that reduce the liability for unpaid claims and claim adjustments expenses totaled \$0.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

NOTE 5 - RESERVE FOR CLAIMS LOSSES

BORMA under its terms of membership shall establish reserves for claims and unallocated loss adjustment expenses. In 2007, the Loss Reserve decreased \$649,408 to \$2,333,541.

Changes in BORMA's reserve for claims losses amount for the two previous years are as follows:

<u>Year</u>	<u>Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance</u>
2006	\$2,488,714	\$16,506,908	\$16,012,673	\$2,982,949
2007	2,982,949	14,289,643	14,939,051	2,333,541

NOTE 6 - MEMBER WITHDRAWAL LIABILITY AND EXPENSE

In the BORMA by-laws, it states that any member who withdraws from the Pool with adequate notice shall be paid their share of the reserves. At the end of fiscal year 2007, Wyandot County and Shawnee Township withdrew from the Pool. At December 31, 2007 these members were owed \$763,082 and \$161,252 respectively.

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. - BENEFITS POOL
CLAIMS DEVELOPMENT INFORMATION

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Premiums and investment revenue							
Earned	\$ 8,958,770	\$ 10,374,580	\$ 10,397,524	\$ 10,961,036	\$ 14,360,216	\$ 15,777,814	\$ 16,749,586
Ceded	<u>(567,630)</u>	<u>(594,892)</u>	<u>(719,096)</u>	<u>(711,066)</u>	<u>(861,721)</u>	<u>(874,464)</u>	<u>(756,384)</u>
Net earned	8,391,140	9,779,688	9,678,428	10,249,970	13,498,495	14,903,350	15,993,202
Unallocated expenses	21,990	48,838	51,564	14,310	28,219	20,918	25,464
Estimated losses and expenses, end of policy year:							
Incurred	7,612,439	9,543,745	10,624,475	9,806,067	13,747,479	17,144,011	13,408,351
Ceded	<u>(487,865)</u>	<u>(71,571)</u>	<u>(570,815)</u>	<u>(115,035)</u>	<u>(359,005)</u>	<u>(1,211,908)</u>	<u>(260,049)</u>
Net incurred	7,124,574	9,472,174	10,053,660	9,691,032	13,388,474	15,932,103	13,148,302
Net paid claims and administrative expenses (cumulative) as of:							
End of year	5,620,908	7,017,360	8,939,826	9,069,706	12,158,041	12,989,154	10,814,761
One year later	6,790,758	8,919,766	10,176,907	10,148,239	15,459,615	14,114,235	
Two years later	6,806,273	8,928,845	10,228,722	10,148,359	15,473,942		
Three years later	6,798,311	8,928,845	10,228,722	10,148,359			
Four years later	6,798,311	8,928,845	10,228,722				
Five years later	6,798,311	8,928,845					
Six years later	6,798,311						
Reestimated ceded losses and expenses	(487,885)	(71,571)	(570,815)	(115,035)	(359,005)	(1,211,908)	(260,049)
Reestimated incurred claims and expenses							
End of year	7,124,554	9,472,174	10,053,660	9,691,032	13,388,474	15,932,103	13,148,302
One year later	7,124,554	9,472,174	10,053,660	9,691,032	15,459,615	14,114,235	
Two years later	7,124,554	9,472,174	10,053,660	10,148,359	15,473,942		
Three years later	7,124,554	9,472,174	10,228,722	10,148,359			
Four years later	7,124,554	8,928,845	10,228,722				
Five years later	6,798,311	8,928,845					
Six years later	6,798,311						
Increase in estimated net incurred claims and expenses from end of policy year	\$ (326,243)	\$ (543,329)	\$ 175,062	\$ 457,327	\$ 2,085,468	\$ (1,817,868)	\$ -

Information prior to fiscal year 2001 is not available.

INDEPENDENT AUDITOR'S 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 Trustees of BORMA:

We have audited the accompanying financial statements of the business-type activities of the employees benefits activity of the Buckeye Ohio Risk Management Agency, Inc. (BORMA) as of and for the year ended December 31, 2007, which collectively comprise BORMA's basic financial statements, and have issued our report thereon dated July 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered BORMA'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 BORMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BORMA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

BORMA's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit BORMA's response and, accordingly, we express no opinion on it.

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



Kennedy Cottrell Richards LLC
July 29, 2008

BUCKEYE OHIO RISK MANAGEMENT AGENCY

SCHEDULE OF FINDINGS

DECEMBER 31, 2007

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

2007-1 Internal Control Weakness – Financial Reporting

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of BORMA. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified a material misstatement in BORMA's financial statements, as well as other misstatements that were not necessarily material, but were more than inconsequential. We provided adjusting entries to BORMA and the material misstatement was subsequently corrected.

We recommend BORMA implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

Official's Response

The understatement of liabilities due to the departure of two pool members and the reinsurance receipts not reported as receivables will be addressed to avoid a reoccurrence of this finding.

BUCKEYE OHIO RISK MANAGEMENT AGENCY

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2007

Not applicable as there were no prior audit findings.



Mary Taylor, CPA
Auditor of State

BUCKEYE OHIO RISK MANAGEMENT AGENCY, INC. BENEFITS POOL

ERIE 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
SEPTEMBER 23, 2008**