

County Risk Sharing Authority, Inc.

Financial Statements as of and for the
Years Ended April 30, 2009 and 2008, and
Required Supplementary Information
for the Year Ended April 30, 2009, and
Independent Auditors' Report



Mary Taylor, CPA

Auditor of State

Board of Directors
County Risk Sharing Authority, Inc.
209 E. State St.
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the County Risk Sharing Authority, Inc., Franklin County, prepared by Deloitte & Touche LLP, for the audit period May 1, 2008 through April 30, 2009. 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 County Risk Sharing Authority, Inc. is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

November 3, 2009

This Page is Intentionally Left Blank.

COUNTY RISK SHARING AUTHORITY, INC.

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 2-8 |
| FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED APRIL 30, 2009 AND 2008: | |
| Statements of Net Assets | 9 |
| Statements of Revenues, Expenses and Changes in Net Assets | 10 |
| Statements of Cash Flows | 11 |
| Notes to Financial Statements | 12-20 |
| REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED APRIL 30, 2009 — | 21 |
| Required Supplementary Statement of Earned Revenues, Losses, and Other Expenses (Net of Reinsurance) | 22 |
| INDEPENDENT AUDITORS' 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> | 23 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
County Risk Sharing Authority, Inc.:

We have audited the accompanying statements of net assets of County Risk Sharing Authority, Inc. (CORSA) as of April 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of CORSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CORSA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

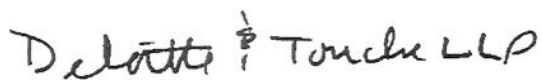
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CORSA at April 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This supplementary information is the responsibility of CORSA's management. We have 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of CORSA taken as a whole. The supplementary claim information on pages 22-23 is not a required part of the basic financial statements but is supplementary information required by GASB. This supplementary information is the responsibility of CORSA's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORSA has not presented supplementary claim information for 1999-2007 that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009, on our consideration of CORSA'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. 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.



July 31, 2009

COUNTY RISK SHARING AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the County Risk Sharing Authority, Inc. (CORSA) offers this narrative overview and analysis of the financial activities of CORSA for the fiscal years ended April 30, 2009 and 2008. Readers are encouraged to consider the information presented here in conjunction with CORSA's financial statements and notes to the financial statements to enhance their understanding of CORSA's financial performance.

Organization

The County Risk Sharing Authority is a self-insurance pool that was established by the County Commissioners' Association of Ohio with a mission to provide its members with comprehensive property and liability coverage and high quality risk management services (the "Program") at a stable and competitive cost.

As of April 30, 2009, sixty-two (62) Ohio counties and nineteen (19) county facilities were members of CORSA. The County Commissioners Association of Ohio and its related entities were also members of CORSA during the 2009-2008 fiscal year.

Overview of the Financial Statements

The basic financial statements, in addition to Management's Discussion and Analysis, are comprised of the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; the Statement of Cash Flows; and the Notes to the Financial Statements. The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Statement of Net Assets presents CORSA's financial position as of the end of the fiscal year. Information is displayed on assets and liabilities, with the difference between the two reported as Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets present information on the change in net assets (revenues minus expenses) during the fiscal year. Whereas the Statement of Net Assets is a snapshot of the financial position of the Program on April 30, the Statement of Revenues, Expenses and Changes in Net Assets presents the activities of CORSA for the entire fiscal year. Since presented on an accrual basis, the changes in net assets shown do not necessarily coincide with the cash flows. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the actual cash is received or paid.

The Statement of Cash Flows presents cash provided and used by CORSA categorized by operating activities, investing activities, and financing activities. It reconciles the beginning and end-of-year cash and cash equivalent balances.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Details are given regarding CORSA's organization, accounting policies, cash and investments, and commitments to related parties.

In addition to the financial statements and accompanying notes, supplementary information is presented in a separate section illustrating CORSA's past two years of earned revenues compared to related losses and other expenses assumed by CORSA. Information is also given in this section regarding changes in estimated losses for each of the past ten years.

CORSA is not legally required to adopt a budget. However, management does maintain an administrative budget, which is approved by the CORSA Board of Directors, in order to monitor administrative revenues and expenses. Budget comparisons are not required for CORSA and therefore are not presented as required supplementary information in this report.

Financial Analysis – Statements of Net Assets

The following table presents the summarized financial position as of April 30, 2009 and 2008. More detailed information is available in the accompanying basic financial statements.

| Assets | 2009 | 2008 | Increase (Decrease) |
|---|----------------------|----------------------|--------------------------------|
| Cash and cash equivalents | \$ 9,584,021 | \$ 13,890,793 | \$ (4,306,772) |
| Receivables | 14,737,888 | 9,425,965 | 5,311,923 |
| Investments | 45,567,722 | 57,856,383 | (12,288,661) |
| Investment in LLC | 977,722 | | 977,722 |
| CRL deposit | 334,225 | | 334,225 |
| Property and equipment | 131,641 | 184,336 | (52,695) |
| Loans to CCAO Service Corporation | 1,146,716 | 1,016,384 | 130,332 |
| Total assets | <u>\$ 72,479,935</u> | <u>\$ 82,373,861</u> | <u>\$ (9,893,926)</u> |
| Liabilities | | | |
| Reserves for unpaid losses and loss adjustment expenses | \$ 26,128,124 | \$ 28,221,939 | \$ (2,093,815) |
| Deferred member contributions | 20,037,487 | 20,284,284 | (246,797) |
| Payable for investment purchases | 682,620 | | 682,620 |
| Accrued expenses and other | 80,226 | 94,026 | (13,800) |
| Total liabilities | <u>\$ 46,928,457</u> | <u>\$ 48,600,249</u> | <u>\$ (1,671,792)</u> |

Cash and cash equivalents were \$4,306,772 less on April 30, 2009 than on April 30, 2008. This decrease is due in part to the fact that more premiums for the upcoming fiscal year were paid before April 30 in 2008 than were paid before April 30 in 2009. Correspondingly, receivables due from counties on April 30, 2008 were lower than on April 30, 2009 for the same reason. More premiums were owed to CORSA for the new fiscal year on April 30, 2009 than on April 30, 2008.

Investments are shown at market value on the financial statements. Smith Barney Consulting Group is CORSA's investment consultant. Smith Barney conducts investment manager searches and recommends investment managers who have discretion to purchase, sell, or hold securities based on CORSA's written Investment Policy. This Investment Policy sets guidelines for the allocation of CORSA's invested funds. After a reserve is set aside in easily accessible money market accounts for the payment of claims, the rest of the available funds from premiums are allocated between fixed income securities and equity securities. CORSA's Investment Policy stipulates that 25% to 35% of CORSA's investments are to be allocated to equity securities.

CORSA's investments decreased by \$12,288,661 between 2008 and 2009. A portion of the decrease is due to withdrawals from investments exceeding the contributions to investments over the course of the year. Withdrawals are made from the investment accounts as needed to pay claims. In 2008-2009, CORSA paid an unusually high amount in claims, as several large claims from previous years were settled.

Another reason for the decline in CORSA's investments is the unprecedented unrealized and realized losses experienced by CORSA during the year. Most of the losses occurred in CORSA's equity accounts, which comprised 25-30% of CORSA's portfolio in 2008-2009. More details on CORSA's change in investment value are documented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets.

Two new items were added to CORSA's assets this year: The investment in County Governance Facility, LLC and the CRL deposit.

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 22 county association- sponsored risk sharing pools. As part of the contract with CRL, CORSA paid \$334,225 to CRL, and this deposit constitutes a partial ownership in the reinsurance company.

Also in May of 2008, CORSA entered into an agreement with the County Commissioners' Association of Ohio and the County Employee Benefits Consortium of Ohio to form a limited liability company, County Governance Facility, LLC ("LLC"). The LLC was formed as a partnership with the three entities as members. The main purpose of forming the company was to purchase a building for office space for the three members. CORSA contributed \$1,000,000 to the LLC's capital and has an equal interest in the LLC with the other members. CORSA accounts for the investment under the equity method, and the amount of the investment was \$977,722 at April 30, 2009.

Also listed on the 2009 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation (CCAO SC) in the amount of \$1,146,716. This relates to draws on two lines of credit that the Service Corporation has with CORSA. CCAO SC paid monthly interest payments to CORSA on these draws.

CORSA's assets in total decreased by \$9,893,926 from the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amount at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of open claims (IBNE), as well as an Incurred But Not Reported (IBNR) amount for property claims. Total reserves decreased from \$28,221,939 in 2008 to \$26,128,124 in 2009, a decrease of \$2,093,815. Reasons for this decrease include the actuaries' decrease in their estimation of the ultimate incurred losses for previous years, and the payment of several large claims from previous years' losses.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions decreased from \$20,284,284 in 2008 to \$20,037,487 in 2009. This decrease in contributions is due to one member who was not officially renewed until after April 30.

The difference between assets and liabilities, or net assets, decreased by \$8,222,134 from 2008 to 2009. The decrease in net assets is driven by the decrease in investment value.

The following table presents the summarized financial position as of April 30, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

| Assets | 2008 | 2007 | Increase (Decrease) |
|---|----------------------|----------------------|--------------------------------|
| Cash and cash equivalents | \$ 13,890,793 | \$ 12,938,050 | \$ 952,743 |
| Receivables | 9,425,965 | 10,458,585 | (1,032,620) |
| Investments | 57,856,383 | 57,120,143 | 736,240 |
| Property and equipment | 184,336 | 186,309 | (1,973) |
| Loans to CCAO Service Corporation | 1,016,384 | 1,058,845 | (42,461) |
| Total assets | <u>\$ 82,373,861</u> | <u>\$ 81,761,932</u> | <u>\$ 611,929</u> |
| Liabilities | | | |
| Reserves for unpaid losses and loss adjustment expenses | \$ 28,221,939 | \$ 23,720,000 | \$ 4,501,939 |
| Deferred member contributions | 20,284,284 | 20,169,938 | 114,346 |
| Payable for investment purchases | | 1,256,238 | (1,256,238) |
| Accrued expenses and other | 94,026 | 53,549 | 40,477 |
| Total liabilities | <u>\$ 48,600,249</u> | <u>\$ 45,199,725</u> | <u>\$ 3,400,524</u> |
| Net Assets | | | |
| | <u>\$ 33,773,612</u> | <u>\$ 36,562,207</u> | <u>\$ (2,788,595)</u> |

Cash and cash equivalents were \$952,743 more on April 30, 2008 than on April 30, 2007. This increase is due to the fact that more premiums for the upcoming fiscal year were paid before April 30 in 2008 than were paid before April 30 in 2007. Correspondingly, receivables due from counties on April 30, 2008 were lower than on April 30, 2007 for the same reason. More premiums were owed to CORSA for the new fiscal year on April 30, 2007 than on April 30, 2008.

Investments are shown at market value on the financial statements. Smith Barney Consulting Group is CORSA's investment consultant. Smith Barney conducts investment manager searches and recommends investment managers who have discretion to purchase, sell, or hold securities based on CORSA's written Investment Policy. This Investment Policy sets guidelines for the allocation of CORSA's invested funds. After a reserve is set aside in easily accessible money market accounts for the payment of claims, the rest of the available funds from premiums are allocated between fixed income securities and equity securities. CORSA's Investment Policy stipulates that a target of 30% is to be allocated to equity securities.

Also listed on the 2008 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation (CCAO SC) in the amount of \$1,016,384. This relates to draws on two lines of credit that the Service Corporation has with CORSA. CCAO SC paid monthly interest payments to CORSA on these draws.

CORSA's assets in total increased by \$611,929 over the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amount at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of open claims (IBNE), as well as an Incurred But Not Reported (IBNR) amount for property claims. Total reserves increased from \$23,720,000 in 2007 to \$28,221,939 in 2008, an increase of \$4,501,939. Included in the 2008 reserves is \$2,353,277 for the flood that occurred on August 21, 2007 in Northwest Ohio.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions increased from \$20,169,938 in 2007 to \$20,284,284 in 2008. The increase in contributions is due to a new facility joining CORSA, increased exposures of current members and additional coverage being purchased by current members.

The difference between assets and liabilities, or net assets, decreased by \$2,788,595 from 2007 to 2008. The decrease in net assets is driven by the increase in loss reserves. A distribution of approximately \$2,400,000 was made to CORSA members at the time of the 2007-2008 renewal in the form of credits to their contributions. Another distribution of approximately \$2,400,000 was made to CORSA members in the same form at the time of the 2008-2009 renewal, which was subsequent to April 30, 2008.

Financial Analysis – Statements of Revenues, Expenses and Changes in Net Assets

The following table presents the summarized results of operations for the fiscal years ended April 30, 2009 and 2008. More detailed information is available in the accompanying basic financial statements.

| | <u>2009</u> | <u>2008</u> | <u>Increase (Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|
| Member contributions (less commercial insurance) | \$ 19,942,928 | \$ 18,129,918 | \$ 1,813,010 |
| Net investment income | (6,584,192) | 2,262,121 | (8,846,313) |
| Other | 42,655 | 54,354 | (11,699) |
| Total income | <u>\$ 13,401,391</u> | <u>\$ 20,446,393</u> | <u>\$ (7,045,002)</u> |
| Loss and loss adjustment expenses for current year events | \$ 15,856,785 | \$ 16,595,959 | \$ (739,174) |
| Benefit for insured events of prior years | (933,954) | (295,154) | (638,800) |
| Marketing, administrative, and other | 6,700,694 | 6,934,183 | (233,489) |
| Total expenses | <u>\$ 21,623,525</u> | <u>\$ 23,234,988</u> | <u>\$ (1,611,463)</u> |
| Change in net assets | \$ (8,222,134) | \$ (2,788,595) | <u>\$ (5,433,539)</u> |
| NET ASSETS: | | | |
| Beginning of year | <u>33,773,612</u> | <u>36,562,207</u> | |
| End of year | <u>\$ 25,551,478</u> | <u>\$ 33,773,612</u> | |

Member contributions earned increased from \$18,129,918 in 2008 to \$19,942,928 in 2009. This increase is attributed mainly to a significant decrease in the cost of reinsurance, which is mainly due to the switch to CRL.

The other part of CORSA's income is investment income. Investment income earned by CORSA, before realized and unrealized gains and losses, decreased by \$940,266 from 2008 to 2009. With less money in the investment accounts due to withdrawals, there was less money on which to earn interest. Furthermore, there were \$4,032,671 in unrealized losses due to the decline in the value of equities, and \$4,346,363 in realized losses, again mostly in equities. These factors resulted in an \$8.8 million decrease in net investment income from the previous year.

Loss and loss adjustment expenses for current year events are expenses for claims that have occurred during the current year. The expenses include payments for claims that have occurred during the current year, reserves that have been established by adjustors for pending open claims that have occurred during the current year, and an independent actuary's estimate of future development of these claims. CORSA's loss and loss adjustment expenses for the current year were not significantly higher than those of the previous year.

The benefit for insured events of prior years represents the changes in the amounts paid and reserved for all program years prior to the current program year. The expenses as of April 30, 2009 for paid and reserved claims for each year prior to April 30, 2009 were compared to the same expenses as of April 30, 2008. The benefit represents a total of the changes of each program year. This year, there was a benefit attributable to prior years, a decrease in the estimated ultimate losses of previous years.

Included in the marketing, administrative and other expenses for both 2007-2008 and 2008-2009 were distributions to members of \$2,400,000 each year. The distributions were made at renewal in the form of credits to members' contributions. Another distribution of approximately \$2,938,000 was made to CORSA members in the same form at the time of the 2009-2010 renewal, which was subsequent to April 30, 2009.

Due mainly to a large net investment loss, CORSA realized an overall net loss of \$8,222,134. The net loss included a \$1,680,597 operating loss and a \$6,541,537 non-operating (investment) loss. CORSA's net assets, also known as member equity, were \$25,551,478 as of April 30, 2009.

The following table presents the summarized results of operations for the fiscal years ended April 30, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

| | <u>2008</u> | <u>2007</u> | <u>Increase (Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|
| Member contributions (less commercial insurance) | \$ 18,129,918 | \$ 17,387,763 | \$ 742,155 |
| Net investment income | 2,262,121 | 5,024,368 | (2,762,247) |
| Other | 54,354 | 32,262 | 22,092 |
| Total income | <u>\$ 20,446,393</u> | <u>\$ 22,444,393</u> | <u>\$ (1,998,000)</u> |
| Loss and loss adjustment expenses for current year events | \$ 16,595,959 | \$ 12,869,823 | \$ 3,726,136 |
| Benefit for insured events of prior years | (295,154) | (588,394) | 293,240 |
| Marketing, administrative, and other | 6,934,183 | 6,503,624 | 430,559 |
| Total expenses | <u>\$ 23,234,988</u> | <u>\$ 18,785,053</u> | <u>\$ 4,449,935</u> |
| Change in net assets | \$ (2,788,595) | \$ 3,659,340 | <u>\$ (6,447,935)</u> |
| NET ASSETS: | | | |
| Beginning of year | <u>36,562,207</u> | <u>32,902,867</u> | |
| End of year | <u>\$ 33,773,612</u> | <u>\$ 36,562,207</u> | |

Member contributions earned increased from \$17,387,763 in 2007 to \$18,129,918 in 2008. This increase is attributed mainly to a new facility joining CORSA for the 2007-2008 fiscal year and additional lines of coverage provided to existing members.

The other part of CORSA's income is investment income. Investment income earned by CORSA before unrealized gains and losses, increased by \$271,494 from 2007 to 2008. However, as a result of \$982,443 in unrealized losses in 2008, as opposed to unrealized gains of \$1,928,461 in 2007, net investment income decreased by \$2,762,247 from 2007 to 2008.

Loss and loss adjustment expenses for current year events are expenses for claims that have occurred during the current year. The expenses include payments for claims that have occurred during the current year, reserves that have been established by adjusters for pending open claims that have occurred during the current year, and an independent actuary's estimate of future development of these claims. CORSA's loss and loss adjustment expenses for the current year increased by \$3,726,136 from 2007 to 2008. \$3,415,989 of the increase can be attributed to the flood that occurred on August 21, 2007 in Northwest Ohio.

The benefit for insured events of prior years represents the changes in the amounts paid and reserved for all program years prior to the current program year. The expenses as of April 30, 2008 for paid and reserved claims for each year prior to April 30, 2008 were compared to the same expenses as of April 30, 2007. The benefit represents a total of the changes of each program year. This year, there was a benefit attributable to prior years.

Risk management and administrative expenses are the two other operating expenses which had significant increases. Risk management expenses, which increased by \$302,598 from 2007 to 2008, are expenses paid from member equity for special risk management projects. During the 2007-2008 year \$232,728 from member equity was used to provide flood zone determinations for members, and \$69,129 was used to provide Model Law Enforcement Policies. CORSA also contracted with a firm to do an independent claim audit, the cost of which was paid from member equity. The main reason for the \$184,926 increase in annual administrative expenses was due to the addition of the HR Help-Line and Law Enforcement Consulting programs that were added during the 2007-2008 year.

Due mainly to higher than expected claims loss expenses for the current year; CORSA realized an overall net loss of \$2,788,595. CORSA's net assets, also known as member equity, stand at \$33,773,612 as of April 30, 2008.

Trends and Risks

CORSA is financially strong, and has a high level of member support and loyalty. In its 22 year history, only one county has left the CORSA program, and that county has since rejoined the program. Membership is loyal due to CORSA's track record of providing broad coverage and comprehensive risk management services at stable and competitive costs.

The risks to CORSA are primarily external in nature, and are due to the reinsurance market, and the economic and legal climates in Ohio. With CORSA's \$1,000,000 self-insured retention, CORSA members are less vulnerable to the pricing cycles of the commercial insurance market. And although CORSA experienced unprecedented losses in investments during this fiscal year, CORSA's premium to surplus and reserve to surplus ratios are still well within the range considered healthy by industry standards. The understanding of these risks by CORSA's Board and Management, and their planning for them in better times, have enabled CORSA to retain a strong level of net assets.

Request for information

This financial report is designed to provide a general overview of CORSA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David Brooks, CORSA Managing Director, County Risk Sharing Authority, Inc., 209 E. State St., Columbus, Ohio 43215.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF NET ASSETS

APRIL 30, 2009 AND 2008

| ASSETS | 2009 | 2008 |
|---|----------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 9,584,021 | \$ 13,890,793 |
| Loans to CCAO Service Corporation | 1,146,716 | 857,823 |
| Accounts receivable: | | |
| Member contributions receivable | 13,325,445 | 7,732,527 |
| Member deductibles receivable | 1,145,373 | 988,252 |
| Aggregate reinsurance receivable | 30,684 | 10,527 |
| Accrued interest receivable | 236,386 | 316,234 |
| Receivable for investment sales | | 376,122 |
| Other | | 2,303 |
| Total current assets | <u>25,468,625</u> | <u>24,174,581</u> |
| INVESTMENTS | 45,567,722 | 57,856,383 |
| INVESTMENT IN LLC | <u>977,722</u> | |
| PROPERTY AND EQUIPMENT: | | |
| Furniture and fixtures | 75,507 | 97,528 |
| Computer and equipment | 40,232 | 42,863 |
| Claims system | 104,412 | 103,725 |
| Vehicles | 105,546 | 105,546 |
| Total property and equipment | 325,697 | 349,662 |
| Accumulated depreciation | <u>(194,056)</u> | <u>(165,326)</u> |
| Property and equipment, net | <u>131,641</u> | <u>184,336</u> |
| LONG TERM ASSETS: | | |
| Loan to CCAO Service Corporation | | 158,561 |
| CRL deposit | 334,225 | |
| Total long term assets | <u>334,225</u> | <u>158,561</u> |
| TOTAL | <u>\$ 72,479,935</u> | <u>\$ 82,373,861</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Reserves for unpaid losses and loss adjustment expenses | \$ 26,128,124 | \$ 28,221,939 |
| Deferred member contributions | 20,037,487 | 20,284,284 |
| Payable for investment purchases | 682,620 | |
| Accrued expenses and other | 80,226 | 94,026 |
| Total current liabilities | <u>46,928,457</u> | <u>48,600,249</u> |
| NET ASSETS: | | |
| Invested in capital assets | 131,641 | 184,336 |
| Unrestricted | 25,419,837 | 33,589,276 |
| Total net assets | <u>25,551,478</u> | <u>33,773,612</u> |
| TOTAL | <u>\$ 72,479,935</u> | <u>\$ 82,373,861</u> |

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED APRIL 30, 2009 AND 2008

| | 2009 | 2008 |
|---|----------------------|----------------------|
| OPERATING REVENUES: | | |
| Member contributions | \$ 22,798,191 | \$ 22,626,226 |
| Less commercial insurance coverages | <u>2,855,263</u> | <u>4,496,308</u> |
| Total operating revenues — net | <u>19,942,928</u> | <u>18,129,918</u> |
| OPERATING EXPENSES: | | |
| Loss and loss adjustment expenses for current year events | 15,856,785 | 16,595,959 |
| Benefit for insured events of prior years | (933,954) | (295,154) |
| Brokerage fees | 350,000 | 350,000 |
| Agent fees | 1,305,904 | 1,291,641 |
| Depreciation | 74,604 | 78,842 |
| Distribution to members | 2,400,000 | 2,400,000 |
| Special program expenses | 446,977 | 846,864 |
| General and administrative expenses | <u>2,123,209</u> | <u>1,966,836</u> |
| Total operating expenses | <u>21,623,525</u> | <u>23,234,988</u> |
| OPERATING LOSS | <u>(1,680,597)</u> | <u>(5,105,070)</u> |
| NON-OPERATING (EXPENSES) INCOME: | | |
| Investment income | 2,174,070 | 3,114,336 |
| Unrealized loss on investments | (4,032,671) | (982,443) |
| (Loss) gain on sale of investments | (4,346,363) | 515,702 |
| Other income | 64,933 | 54,354 |
| Loss on investment in LLC | (22,278) | |
| Investment fees | <u>(379,228)</u> | <u>(385,474)</u> |
| Non-operating (expense) income — net | <u>(6,541,537)</u> | <u>2,316,475</u> |
| CHANGE IN NET ASSETS | (8,222,134) | (2,788,595) |
| NET ASSETS: | | |
| Beginning of year | <u>33,773,612</u> | <u>36,562,207</u> |
| End of year | <u>\$ 25,551,478</u> | <u>\$ 33,773,612</u> |

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED APRIL 30, 2009 AND 2008

| | 2009 | 2008 |
|---|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from members and other parties | \$ 16,783,501 | \$ 23,856,914 |
| Cash paid for commercial insurance | (2,855,263) | (4,496,308) |
| Cash paid for claims | (17,016,646) | (11,798,866) |
| Cash paid for other expenses | (6,639,890) | (6,814,864) |
| Net cash (used in) provided by operating activities | <u>(9,728,298)</u> | <u>746,876</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of property and equipment | <u>(23,574)</u> | <u>(76,867)</u> |
| Cash used in capital and related financing activities | <u>(23,574)</u> | <u>(76,867)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash received from investments and other income | 2,318,851 | 3,191,164 |
| Cash paid for investment fees | (379,228) | (385,474) |
| Cash paid for deposit to CRL | (334,225) | |
| Cash paid for investment in LLC | (1,000,000) | |
| Purchase of investments | (34,891,366) | (44,169,991) |
| Proceeds from sale of investments | 39,181,400 | 40,587,648 |
| Proceeds from maturity of investments | 680,000 | 747,000 |
| Change in loans to related parties | (130,332) | 312,387 |
| Net cash provided by investing activities | <u>5,445,100</u> | <u>282,734</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (4,306,772) | 952,743 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | <u>13,890,793</u> | <u>12,938,050</u> |
| End of year | <u>\$ 9,584,021</u> | <u>\$ 13,890,793</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating loss | \$ (1,680,597) | \$ (5,105,070) |
| Adjustments to reconcile operating loss to net cash (used in) provided by operating activities: | | |
| Depreciation | 74,604 | 78,840 |
| Member contributions receivable | (5,592,918) | 1,273,673 |
| Other | 2,303 | (1,684) |
| Member deductibles receivable | (157,121) | (287,748) |
| Reinsurance receivable | (20,157) | 132,104 |
| Unpaid losses and loss adjustment expenses | (2,093,815) | 4,501,939 |
| Deferred member contributions | (246,797) | 114,346 |
| Accrued expenses and other | (13,800) | 40,476 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>\$ (9,728,298)</u> | <u>\$ 746,876</u> |

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED APRIL 30, 2009 AND 2008

1. ORGANIZATION

County Risk Sharing Authority, Inc. (CORSA) is a self-insurance pool that was established in 1987 by the County Commissioners' Association of Ohio (CCAO) for the purpose of providing property and liability coverage and comprehensive risk-management services (the "Program") for CCAO members. As of April 30, 2009, sixty-two (62) Ohio counties and nineteen (19) county facilities were members of CORSA. The CCAO and its related entities were also members of CORSA during the 2007-2008 and 2008-2009 fiscal years.

CORSA was incorporated in 1987 as an Ohio not-for-profit corporation, under Ohio Revised Code (ORC) Section 1702.01, and is governed by ORC 2744.081. CORSA is governed by a nine-member Board of Directors who are county commissioners from member counties. The Directors are elected by members and are eligible to serve three, two-year terms.

Pursuant to participation agreements, each member agrees to pay all contributions necessary for the specified types of coverage and risk management services provided by CORSA. The coverage provided by CORSA includes property, boiler and machinery, automobile liability and physical damage, general liability, medical professional liability (physicians and dentists excluded, except for physicians who provide services at jails), law enforcement liability, and errors and omissions. The annual renewal date is May 1 for all members. Members' contributions are collected on an annual basis and are due on May 1.

From May 1, 1997 through April 30, 2002, CORSA's self insured retention (SIR) for all coverages was \$500,000 per occurrence, except for coverage for Equipment Breakdown (EB), which has a 50,000 SIR. Effective May 1, 2002, CORSA's SIR was increased to \$1,000,000 per occurrence (EB stayed at \$50,000).

The thirty-nine (39) original members had the \$750,000 excess layer for general liability, law enforcement, and automobile liability coverage funded by the issuance of Certificates of Participation (Bond Fund). The Bond Fund matured May 1, 1997, after all principal and interest payments were made. Bond participants had until April 30, 1999, to report losses that occurred prior to May 1, 1997. The Bond Fund, therefore, is not responsible for any claims reported after April 30, 1999.

There are no open claims that have the potential to develop into the Bond Fund, and the actuary has removed the Incurred But Not Reported (IBNR) from the Bond Fund. As of April 30, 2009 and 2008, the Bond Fund had assets of approximately \$1,338,000 and \$2,569,000, respectively. Since CORSA's adjusters have indicated that there are no open claims that could penetrate the Bond Fund, and since the actuary has removed IBNR, the decision was made to return all bond equity to bond participants over a four year period. Beginning with the 2006-2007 fiscal year, the total credit to Bond Fund participants was increased to \$1,300,000 each year for the first three years, with the remaining balance to be distributed in the fourth year.

Those members that joined after 1992 did not participate in the Bond Fund. They had the excess general liability, law enforcement liability, and automobile liability coverage provided by CORSA's primary excess carrier.

Liability losses in excess of the coverages provided by CORSA are the responsibility of the individual member counties.

2. ACCOUNTING POLICIES

Basis of Accounting — CORSA follows the accrual basis of accounting as required by enterprise funds and is not legally required to adopt a budget. However, the CORSA Board of Directors approves an annual administrative budget for each calendar year. All transactions are accounted for in a single enterprise fund. In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, CORSA has elected not to apply the provisions for the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. CORSA will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents — Cash and cash equivalents consist primarily of investments in money market securities having an original maturity of 90 days or less.

Investments — Investments are reported at market value based on quoted market prices as established by the major securities markets. Purchases and sales of investments are recorded on a trade-date basis. Investment transactions occurring on or before April 30 that settle after such date are recorded as receivables or payables. Investment income includes interest, dividend and amortization of premiums and accretion of discounts using the effective interest method relating to debt securities acquired at other than par value and is recorded on the accrual basis. Funds held by Smith Barney (Trustee) also include cash equivalents which are carried at market value. Unrealized gains and losses and realized gains and losses are determined on the identified cost basis and are reflected in the statements of revenues, expenses and changes in net assets. All of CORSA's investments are subject to market risk and fair value changes over time could be significant.

Deductibles Receivable — CORSA pays third party claims at their full value and then bills members for their deductible portion. A member deductibles receivable is recognized when the deductible is due.

Reinsurance Receivable — Paid losses recoverable from excess insurance carriers are recognized when due.

Property and Equipment — Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. All major classes of depreciable assets have a useful life of five years, except certain computer equipment, which are one to three years.

Member Contributions — Member contributions are recognized as income ratably over the coverage period. Any amounts not yet recognized as income are reflected as deferred member contributions, a liability. The related costs are recognized when incurred.

Unpaid Losses and Loss Adjustment Expenses — Unpaid losses and loss adjustment expenses include the estimated costs of investigating and settling all claims reported as of the balance sheet date. Such amounts are determined on the basis of claims adjusters' evaluations of losses reported for liability claims and losses incurred for property claims and an independent licensed actuary's estimated development of claims as of the balance sheet date. Such reserves are necessarily based upon estimates and, while management believes the amount is adequate, the ultimate liability may differ from amounts provided for in the balance sheet. The methods and assumptions used in making such estimates and for establishing the resulting reserves are continually reviewed and updated based upon current circumstances and any adjustments are reflected in operations.

Use of Estimates — The preparation of financial statements in conformity 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

Net Assets — Net assets represent the excess of revenues over expenses since inception. It is displayed in three components as follows:

Invested in capital assets, net of related debt — This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings related to the acquisition, construction, or improvements of those assets.

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 April 30, 2009 and 2008, CORSA does not have any "restricted" net assets. Under certain conditions, CORSA may distribute 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 CORSA in the year in which said distribution is made.

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

3. CASH AND INVESTMENTS

CORSA's cash and investment activities are governed by policies adopted by the Board of Directors and established in an Investment Policy Statement (IPS) implemented by the Board in 2001. The IPS is reviewed by the Board and CORSA Management on a quarterly basis and updated as deemed necessary.

The Investment Policy establishes risk guidelines, investment goals, and asset allocation guidelines for each of the two primary investment pools, the Bond Fund and the Claims Fund. According to the Policy, investment management of the assets in the Bond Fund are to be 100% fixed income and money market securities, with at least 60% of the fixed income in government securities and the rest in investment grade corporate bonds. Investment management of the assets in the Claims Fund are targeted for 70% in fixed income securities and the rest in large cap equities, after a cash reserve is set aside for the immediate payment of claims.

Cash and Cash Equivalents — To maintain the ability to meet cash requirements for the payment of claims, the IPS stipulates that a minimum of \$1,000,000 be maintained in cash or cash equivalents, including money market funds. Cash and cash equivalents include bank deposits in checking accounts and interest-bearing money market accounts, as well as funds held in highly liquid securities in the investment pools. At April 30, 2009, the carrying amount of CORSA's cash and cash equivalents was \$9,584,021. Of this amount, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$100,000 was insured by Securities Investor Protection Corporation (SIPC). CORSA maintains balances that are in excess of those insured by the FIDC and SIPC. However, to date no losses have been experienced.

Investments — Investments held by CORSA at April 30, 2009 and 2008, are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2009, the carrying amount of CORSA's investments was \$45,567,722. Of this amount, \$500,000, including \$100,000 noted above for cash balances was insured by SIPC. The CORSA Investment Policy stipulates that Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better unless the Board makes a specific exception.

| 2009 | | | | | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|-------------|
| Investment Type | Fair Value | Not Rated | AAA | AA, A and BBB | Below BBB |
| US Treasury Bonds | \$ 3,478,345 | \$ - | \$ 3,478,345 | \$ - | \$ - |
| US Agency Bonds | 2,041,697 | | 2,041,697 | | |
| Strips | 489,040 | | 489,040 | | |
| Mortgage-backed bonds | 20,016,542 | | 20,016,542 | | |
| Corporate bonds | 6,699,103 | | 252,813 | 6,446,290 | |
| International bonds | 707,740 | | | 707,740 | |
| Municipal bonds | 379,349 | | | 379,349 | |
| Common and preferred stocks | 11,755,906 | 11,755,906 | | | |
| Total investments | <u>\$ 45,567,722</u> | <u>\$ 11,755,906</u> | <u>\$ 26,278,437</u> | <u>\$ 7,533,379</u> | <u>\$ -</u> |
| 2008 | | | | | |
| Investment Type | Fair Value | Not Rated | AAA | AA, A and BBB | Below BBB |
| US Treasury Bonds | \$ 2,698,529 | \$ - | \$ 2,698,529 | \$ - | \$ - |
| US Agency Bonds | 4,434,742 | | 4,434,742 | | |
| Strips | 1,155,542 | | 1,155,542 | | |
| Mortgage-backed bonds | 26,481,827 | | 26,481,827 | | |
| Corporate bonds | 8,894,352 | | | 8,894,352 | |
| International bonds | 1,413,195 | | | 1,413,195 | |
| Municipal bonds | 457,501 | | 457,501 | | |
| Common and preferred stocks | 12,320,695 | 12,320,695 | | | |
| Total investments | <u>\$ 57,856,383</u> | <u>\$ 12,320,695</u> | <u>\$ 35,228,141</u> | <u>\$ 10,307,547</u> | <u>\$ -</u> |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is primarily managed by establishing guidelines for portfolio duration. The CORSA Investment Policy stipulates that for fixed income securities, the maximum maturity for any single security may not exceed 30 years, except that of a mortgage backed, collateralized mortgage backed, or asset backed security. For these exceptions, the average life shall not exceed 20 years. The following table presents CORSA's bond investments as of April 30, 2009 and 2008, by length of maturity.

| 2009 | | | | | |
|------------------------|----------------------|-----------------------------|-------------------------|--------------------------|-------------------------------|
| Investment Type | Fair Value | Less than 1 Year | 1 to 5 Years | 6 to 10 Years | More than 10 Years |
| US Treasury Bonds | \$ 3,478,346 | \$ 37,161 | \$ 1,235,669 | \$ 1,039,872 | \$ 1,165,644 |
| US Agency Bonds | 2,041,697 | 96,852 | 135,816 | 928,654 | 880,375 |
| Strips | 489,040 | | | | 489,040 |
| Mortgage-backed bonds | 20,016,542 | | 1,657,136 | 1,434,718 | 16,924,688 |
| Corporate bonds | 6,699,103 | 33,295 | 2,792,542 | 2,862,766 | 1,010,500 |
| International bonds | 707,740 | 15,070 | 347,526 | 345,144 | |
| Municipal bonds | 379,349 | | | | 379,349 |
| Total bonds | \$ 33,811,816 | \$ 182,378 | \$ 6,168,689 | \$ 6,611,154 | \$ 20,849,596 |
| 2008 | | | | | |
| Investment Type | Fair Value | Less than 1 Year | 1 to 5 Years | 6 to 10 Years | More than 10 Years |
| US Treasury bonds | \$ 2,698,529 | \$ 600,789 | \$ 470,574 | \$ 1,090,206 | \$ 536,960 |
| US Agency Bonds | 4,434,742 | 100,469 | 1,604,164 | 2,096,499 | 633,611 |
| Strips | 1,155,542 | | | | 1,155,542 |
| Mortgage-backed bonds | 26,481,827 | 494,317 | 1,856,761 | 1,549,705 | 22,581,044 |
| Corporate bonds | 8,894,352 | 116,928 | 4,550,868 | 3,194,011 | 1,032,544 |
| International bonds | 1,413,195 | | 266,059 | 1,147,136 | |
| Municipal bonds | 457,501 | | | | 457,501 |
| Total bonds | \$ 45,535,688 | \$ 1,312,503 | \$ 8,748,426 | \$ 9,077,557 | \$ 26,397,202 |

The CORSA Investment Policy also stipulates that the weighted average portfolio maturity for all fixed income securities may not exceed 15 years.

4. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The changes in the reserves for unpaid losses and loss adjustment expenses for the years ended April 30, 2009 and 2008, are as follows (net of reinsurance, see Note 5).

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Unpaid losses and loss adjustment expenses, beginning of the fiscal year | <u>\$28,221,939</u> | <u>\$23,720,000</u> |
| Incurred losses and loss adjustment expenses: | | |
| Provision for insured events of the current fiscal year | 15,856,785 | 16,595,959 |
| Benefit for insured events of prior fiscal years | <u>(933,954)</u> | <u>(295,154)</u> |
| Total incurred losses and loss adjustment expenses | <u>14,922,831</u> | <u>16,300,805</u> |
| Payments: | | |
| Losses and loss adjustment expenses attributable to insured events of the current fiscal year | 4,949,790 | 4,366,627 |
| Losses and loss adjustment expenses attributable to insured events of prior fiscal years | <u>12,066,856</u> | <u>7,432,239</u> |
| Total payments | <u>17,016,646</u> | <u>11,798,866</u> |
| Total unpaid losses and loss adjustment expenses, end of the fiscal year | <u>\$26,128,124</u> | <u>\$28,221,939</u> |

5. SELF-INSURED RETENTION AND REINSURANCE

CORSA retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance and reinsurance contracts. CORSA's per-occurrence retention limit for all liability coverage was \$1,000,000 for fiscal years ended in 2009 and 2008. Property coverage also had a per-occurrence retention limit of \$1,000,000 for fiscal years ended in 2009 and 2008, with the exception of equipment breakdown for which there was a \$50,000 per occurrence retention limit.

CORSA maintains excess insurance and reinsurance contracts with insurance carriers who provide various limits of coverage over CORSA's self-insured retention limits. Each member chooses its limits of liability coverage, with limits varying between \$1,000,000 and \$9,000,000. Liability coverage provided by CORSA is on a "claims-made" basis and property coverage is on an "occurrence" basis. During the 07/08 year, property reinsurance was provided by St. Paul/Travelers, and excess liability was provided by Munich/American Re. Hartford Steam Boiler was the reinsurance carrier for equipment breakdown.

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 22 county association-sponsored risk sharing pools.

CRL, as is the case with most reinsurers, will not provide liability coverage for CORSA's county homes. After much study and consultation with actuaries and legal counsel, CORSA made the decision to self-insure the general liability and professional liability for county homes, effective May 1, 2008. CORSA is providing a \$2,000,000 limit of liability.

Also effective May 1, 2008, CORSA moved the equipment breakdown coverage to Travelers Insurance, who provides property reinsurance to CORSA.

In the event that a loss should exceed the amount of coverage provided by CORSA, then the payment of any loss in excess of the limit provided by CORSA is the obligation of the individual member or members against which the claims were made. In the unlikely event that all or any of the insurance companies are unable to meet their obligations under the excess insurance and reinsurance contracts, CORSA and its members would be responsible for such defaulted amounts. Premiums ceded to reinsurers were \$2,855,263 and \$4,496,308 for fiscal years 2009 and 2008, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$1,730,655 and \$2,736,200 for fiscal years 2009 and 2008, respectively.

6. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2009 and 2008, was as follows:

| | April 30, 2008 | Additions | Deductions | April 30, 2009 |
|--|-------------------|--------------------|-----------------|-------------------|
| Capital assets being depreciated: | | | | |
| Furniture and fixtures | \$ 97,528 | \$ - | \$ 22,021 | \$ 75,507 |
| Computer and equipment | 42,863 | | 2,631 | 40,232 |
| Claims system | 103,725 | 23,574 | 22,887 | 104,412 |
| Vehicles | <u>105,546</u> | | | <u>105,546</u> |
| Total property and equipment | <u>349,662</u> | <u>23,574</u> | <u>47,539</u> | <u>325,697</u> |
| Less accumulated depreciation: | | | | |
| Furniture and fixtures | 71,172 | 10,832 | 20,355 | 61,649 |
| Computer and equipment | 34,145 | 3,493 | 2,631 | 35,007 |
| Claims system | 34,803 | 39,170 | 22,888 | 51,085 |
| Vehicles | <u>25,206</u> | <u>21,109</u> | | <u>46,315</u> |
| Total accumulated depreciation | <u>165,326</u> | <u>74,604</u> | <u>45,874</u> | <u>194,056</u> |
| Total capital assets being depreciated — net | <u>\$ 184,336</u> | <u>\$ (51,030)</u> | <u>\$ 1,665</u> | <u>\$ 131,641</u> |

| | April 30, 2007 | Additions | Deductions | April 30, 2008 |
|--|-------------------|-------------------|---------------|-------------------|
| Capital assets being depreciated: | | | | |
| Furniture and fixtures | \$ 97,528 | \$ - | \$ | \$ 97,528 |
| Computer and equipment | 47,210 | | 4,347 | 42,863 |
| Claims system | 103,059 | 22,887 | 22,221 | 103,725 |
| Vehicles | <u>71,508</u> | <u>53,980</u> | <u>19,942</u> | <u>105,546</u> |
| Total property and equipment | <u>319,305</u> | <u>76,867</u> | <u>46,510</u> | <u>349,662</u> |
| Less accumulated depreciation: | | | | |
| Furniture and fixtures | 57,802 | 13,370 | | 71,172 |
| Computer and equipment | 29,585 | 8,907 | 4,347 | 34,145 |
| Claims system | 18,524 | 38,500 | 22,221 | 34,803 |
| Vehicles | <u>27,085</u> | <u>18,063</u> | <u>19,942</u> | <u>25,206</u> |
| Total accumulated depreciation | <u>132,996</u> | <u>78,840</u> | <u>46,510</u> | <u>165,326</u> |
| Total capital assets being depreciated — net | <u>\$ 186,309</u> | <u>\$ (1,973)</u> | <u>\$ -</u> | <u>\$ 184,336</u> |

7. COMMITMENTS

Rental expense for automobile leases totaled \$5,952 for the year ended April 30, 2008. All automobile leases expired during the 2007-2008 fiscal year. Two of the formerly leased automobiles were purchased by CORSA at the end of the lease term. No new leasing arrangements were entered into in the 2008-2009 year.

8. TAX STATUS

CORSA was organized as an association of governmental agencies providing various insurance coverages, an essential government function, and has received exemption from federal tax under Section 115 of the Internal Revenue Code through a private letter ruling dated July 20, 1989.

9. RETIREMENT BENEFITS

The CCAO maintains a defined contribution plan covering employees who meet certain age and service requirements. Eligible CORSA employees are covered under this plan. The amount contributed to the plan by CCAO is not to exceed 10 percent of each eligible employee's annual qualified compensation. Contributions to the plan are made at the discretion of the Board of Directors of CCAO. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. Expense of \$81,974 and \$77,837 was incurred by CORSA for fiscal years ended April 30, 2009 and 2008, respectively.

CCAO also provides postemployment medical and life insurance benefits to age and service retirees with qualifying service credit and to surviving spouses of such retirees. These benefits are funded by yearly contributions from CCAO, as determined by the CCAO Board. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. Expense of \$29,981 and \$29,922 was incurred by CORSA for fiscal years ended April 30, 2009 and 2008, respectively.

10. RELATED PARTY

In 2002 and 2003, the CORSA Board of Directors and the Board of Directors of CCAO jointly approved the funding of a new county government health insurance pool, which was named County Employee Benefits Consortium of Ohio (CEBCO). The funding was for various start-up and first year expenses, and was to be repaid to CORSA by CEBCO when it was fiscally prudent to do so. There were no formal repayment terms. The implementation date of the health program was January 1, 2004. Funding from CORSA began in 2002 and continued through February of 2005. The total amount of the funding was \$445,875. In December of 2005, CEBCO paid \$75,000 to CORSA as partial repayment. In December of 2006, another \$100,949 was paid back to CORSA. In December of 2007, the final payment of \$269,926 was made to CORSA. There were no new loans to CEBCO, and no money is due to CORSA from CEBCO.

During the fiscal years 2008-2009 and 2007-2008, there was a line of credit available to the CCAO Service Corporation (CCAO SC) from CORSA in the amount of \$1,000,000. There were several borrowings and repayments under this line of credit during both fiscal years. CCAO SC paid interest to CORSA on any unpaid principal balance on a monthly basis, at a rate of 6% on borrowings before February of 2008 and 7% on borrowings after February of 2008. Interest earned by CORSA on this line of credit during the fiscal years 2008-2009 and 2007-2008 was \$47,658 and \$43,079, respectively. The unpaid balance on the principal as of April 30, 2009 and 2008, was \$1,000,000 and \$696,000, respectively.

In May of 2006, another \$1,000,000 line of credit was extended by CORSA to the CCAO SC. During the 2008-2009 there were no borrowings under this line of credit. The CCAO SC borrowed \$333,333 during the 2007-2008 year, and \$200,000 during the 2006-2007 year. Monthly payments of principal and interest were made to CORSA during the 2008-2009 and 2007-2008 fiscal years, at an interest rate of 7% on the \$333,333 borrowing and 5% on the \$200,000 borrowing. Interest earned by CORSA on this line of credit during the fiscal years 2008-2009 and 2007-2008 was \$17,126 and \$3,219, respectively. The unpaid balance on the principal as of April 30, 2009 and 2008, was \$146,716 and \$320,384, respectively.

During the 2008-2009 and 2007-2008 fiscal years, CORSA paid \$1,615,602 and \$1,546,794, respectively, to CCAO for management, legislative, and administrative services. CORSA's accounts payable to CCAO as of April 30, 2009 and 2008, was \$44,928 and \$47,430, respectively.

11. JOINT VENTURE

In May of 2008, CORSA entered into a joint venture with the County Commissioners' Association of Ohio and the County Employee Benefits Consortium of Ohio to form County Governance Facility, LLC ("LLC"). The LLC was formed as a partnership with the three entities as members. The main purpose of this joint venture was to purchase a building for office space for the three members. CORSA contributed \$1,000,000 to fund its 33.3% portion of the joint venture. CORSA accounts for the investment under the equity method. CORSA's portion of current year losses was \$22,278.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY RISK SHARING AUTHORITY, INC.

REQUIRED SUPPLEMENTARY STATEMENT OF EARNED REVENUES, LOSSES, AND OTHER EXPENSES (NET OF REINSURANCE) For the fiscal year ended April 30, 2009

The following table illustrates how CORSA's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by CORSA as of the end of the latest fiscal period. The rows of the table are defined as follows: (1) this line shows the total of the earned contribution revenues and investment revenues. (2) This line shows the other operating costs of CORSA including overhead and claims expense not allocable to individual claims. (3) This line shows CORSA's estimated incurred claims and allocated claim adjustment expense (both paid and accrued) as reported at the end of the first year in which the event that triggered coverage under the contract occurred (called the policy year). (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known related to property claims. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. (6) This section shows the decrease in estimate between years.

| | April 30, 2008 | April 30, 2009 |
|--|-------------------|-------------------|
| (1) Net earned required contribution and investment and other revenues | \$ 20,823,812 | \$ 13,845,212 |
| (2) Unallocated expenses | 7,319,657 | 7,102,200 |
| (3) Estimated Losses/LAE | 16,595,959 | 15,856,785 |
| (4) Paid | | |
| End of Policy Year | 4,366,627 | 4,949,790 |
| One Year Later | 9,780,937 | - |
| (5) Re-estimated Losses/LAE | | |
| End of Policy Year | 16,595,959 | 15,856,785 |
| One Year Later | 16,328,731 | - |
| (6) Decrease in estimate | \$ (267,228) | \$ - |

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
County Risk Sharing Authority, Inc:

We have audited the financial statements of County Risk Sharing Authority, Inc. (CORSA) as of and for the year ended April 30, 2009 and have issued our report thereon dated July 31, 2009. 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 CORSA'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 CORSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CORSA's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect CORSA'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 CORSA's financial statements that is more than inconsequential will not be prevented or detected by CORSA's internal control.

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 CORSA's internal control.

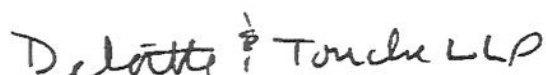
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in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

Compliance and Other Matters

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

We noted certain matters that we reported to CORSA's management in a separate letter dated July 31, 2009.

This report is intended solely for the information and use of the Board of Directors and management of CORSA, the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.



July 31, 2009



Mary Taylor, CPA
Auditor of State

COUNTY RISK SHARING AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 17, 2009**