SCHOOLS OF OHIO RISK SHARING AUTHORITY

FINANCIAL STATEMENTS

AND

SUPPLEMENTAL SCHEDULES

JUNE 30, 2012 AND 2011

Dave Yost • Auditor of State

Board of Directors
Schools of Ohio Risk Sharing Authority
8050 North High Street, Suite 160
Columbus, Ohio 43235-6483

We have reviewed the *Report of Independent Auditors* of the Schools of Ohio Risk Sharing Authority, Franklin County, prepared by Blue & Co., LLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 9, 2013

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SCHOOLS OF OHIO RISK SHARING AUTHORITY

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CPAs / ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Schools of Ohio Risk Sharing Authority
Columbus, Ohio

We have audited the accompanying statements of net assets of Schools of Ohio Risk Sharing Authority as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Schools of Ohio Risk Sharing Authority'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. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Schools of Ohio Risk Sharing Authority as of June 30, 2012 and 2011 and its results of operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, certain errors resulting in understatement of previously reported other assets as of July 1, 2010, were discovered by management during the current year. Accordingly, an adjustment has been made to unrestricted net assets as of July 1, 2010, to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of Schools of Ohio Risk Sharing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 when considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii and the claims information on pages 14 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bober & Co., LLC

October 31, 2012

SCHOOLS OF OHIO RISK SHARING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of Schools of Ohio Risk Sharing Authority (SORSA) provides an overall review of SORSA's financial activities. The intent of this discussion and analysis is to provide further information on SORSA's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of SORSA's financial performance.

Overview of the Organization

SORSA is a 100% member-owned, non-profit insurance risk pool owned and governed by school district members. SORSA is dedicated to providing broad insurance coverage and high quality risk management services while maintaining long-term financial stability. Various plan options are available to members. SORSA was incorporated on January 31, 2002. Operations and plan coverage officially began on February 1, 2002.

SORSA employs a full-time Executive Director and a part-time Member Services Coordinator.

At June 30, 2012, 2011, and 2010, SORSA had 98, 95, and 88 members, respectively.

SORSA has agreements with several separate organizations whereby each provides certain administrative, legal, executive, accounting or other services to SORSA.

The insurance brokerage firm of Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing and consulting services.

Avizent provides claims processing services to SORSA.

The Verhoff Group provides bookkeeping, payroll, consulting and accounting services to SORSA. The Verhoff Group records and tracks accounts receivable from billings to SORSA members for annual premiums and monitors and maintains several bank accounts in the name of SORSA. The Verhoff Group also furnishes SORSA bank reconciliations for these accounts.

SORSA contracts with the law firm Isaac, Brant, Ledman & Teetor to provide lead defense counsel for third-party claims against members. Additional legal firms are contracted as needed against SORSA members.

SORSA contracts with the law firm Peck, Shaffer, & Williams to provide legal counsel to the SORSA Board of Directors.

Actuarial services are provided by the firm SIGMA Actuarial Consulting Services, Inc.

Marketing of the SORSA program is by a selected panel of local independent insurance agents across Ohio along with SORSA's own internal staff.

Property replacement cost appraisals are provided by the firm American Appraisal Associates.

Risk management consulting services are provided by KLA Risk Consulting, Inc.

Overview of the Financial Statements

This annual report consists of financial statements and notes to those statements. The financial statements include the accounts and transactions of SORSA. The Statements of Net Assets, Statements of Revenue, Expenses, and Changes in Net Assets, and the Statements of Cash Flows provide an indication of SORSA's financial health. The Statements of Net Assets include SORSA's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes. The Statements of Revenue, Expenses, and Changes in Net Assets report the revenues and expenses during the time periods indicated. The Statement of Cash Flows report the sources and uses of cash during the periods indicated.

Financial Analysis of SORSA

Table 1 provides a summary of SORSA's Statement of Net Assets as of June 30, 2012, 2011, and 2010.

Table 1:

	6/30/12	Restated 6/30/11	Restated 6/30/10
Assets			
Current assets	$ 1,713,527	$ 2,135,380	$ 2,317,093
Other assets	426,060	328,946	561,670
Total assets	2,139,587	2,464,326	2,878,763
Liabilities	1,767,481	1,518,850	1,609,952
Net assets	$ 372,106	$ 945,476	$ 1,268,811

SORSA's assets are categorized in the "current assets" category and the "other assets" category. The current assets category means that they are either cash, can be converted to cash quickly, or are expected to become cash soon. The statement shows SORSA's total current assets at June 30, 2012, 2011, and 2010 to be $1,713,527, $2,135,380 and $2,317,093, respectively. The primary component is cash in banks and investments. Assets in the other assets category are $426,060, $328,946, and $561,670 at June 30, 2012, 2011, and 2010, respectively.

The current liabilities include accounts payable to outside companies for various services, unearned premiums, and reserves for unpaid claims. Accounts payable totaled $18,877, $17,922, and $26,857 at June 30, 2012, 2011, and 2010 respectively. Unearned premiums totaled $501,271, $305,009, and $196,672 at June 30, 2012, 2011, and 2010, respectively. Unearned premium is the amount of premiums collected in advance of coverage periods that have been received but have not yet been earned. The reserve for unpaid claims totaled $1,247,333, $1,195,919 and $1,386,423 at June 30, 2012, 2011 and 2010, respectively.

As of June 30, 2012, 2011, and 2010, SORSA had net assets of $372,106, $945,475, and $1,268,811 respectively.

Statement of Revenues, Expenses, and Changes in Net Assets

The following table shows the changes in net assets for the years ended June 30, 2012, 2011, and 2010.

Table 2:

	Fiscal Year Ended June 30, 2012	As Restated Fiscal Year Ended June 30, 2011	As Restated Fiscal Year Ended June 30, 2010
Revenues			
Member premiums	$ 3,881,485	$ 3,415,944	$ 3,364,805
Ceded premiums	(1,791,485)	(1,635,933)	(1,572,098)
Net premiums earned	2,090,000	1,780,011	1,792,707
Expenses			
Loss adjustments	1,727,827	1,191,821	1,026,000
Agency commission	338,713	294,354	290,835
Claims administration	144,379	126,531	126,679
Pool administration	194,755	172,498	166,861
Salaries and benefits	169,962	169,939	173,535
Legal and professional	52,206	54,404	51,098
General and administrative	80,262	78,060	79,408
Travel and meetings	18,961	17,865	22,754
Appraisal fees	220	29,550	4,676
General insurance	10,024	8,154	8,967
Sales and marketing	13,809	17,745	19,354
Depreciation	1,733	2,539	2,552
Total expenses	2,752,851	2,163,460	1,972,719
Excess of expenses over revenues	(662,851)	(383,449)	(180,012)
Other revenue			
Non-operating gains (net)	89,481	60,114	117,568
Change in net assets	(573,370)	(323,335)	(62,444)
Net assets at beginning of period as previously reported	945,476	1,268,811	1,148,298
Prior period adjustment	-	-	182,957
Net assets at beginning of period as restated	945,476	1,268,811	1,331,255
Net assets at end of period	$ 372,106	$ 945,476	$ 1,268,811

Member premiums are the amount paid or due for the fiscal period. SORSA purchases reinsurance to cover the cost of large claims. For property and automobile physical damage claims, SORSA collectively self-insures the first $100,000 of each claim; the reinsurer reimburses amounts above this level. For third-party liability claims, SORSA collectively self-insures the first $100,000 of each claim. For equipment breakdown claims, SORSA reinsures 100% of this exposure and does not retain any level of self-insurance.

Non-operating gains consist of the interest earned on SORSA's various checking and investment accounts. For the fiscal period ending June 30, 2012, 2011 and 2010, SORSA held its funds in either fixed income federal obligations, certificates of deposits, or various liquid cash accounts.

Loss adjustment expenses consist of claims paid during the year, plus the ultimate cost of claims determined to be incurred for the current year but not yet reported.

Claims administration and reinsurance broker fees are fees paid to vendors who process claims and provide underwriting, rating, billing, reinsurance brokering and consulting services for SORSA. Other expenses are general and administrative costs incurred during the year.

SORSA's change in net assets was ($573,370), ($323,335), and ($62,444), for the years ending June 30, 2012, 2011, and 2010, respectively. Decreases during these three years were due to negative operating results.

The Statement of Cash Flows

This statement shows how SORSA's cash balance changed in each period. It is divided into three different sections, each indicating the source or use of cash during the period. These sections relate to SORSA's operations, investing activities, and capital and related financing activities. This statement provides detail regarding the increases and decreases in SORSA's cash position during the period.

SORSA had net cash flows for the years ended June 30, 2012, 2011, and 2010, totaling ($412,820), $1,210,037, and ($247,378), respectively. For these years the net cash expended by operating activities was $684,956, $461,517, and $362,506, respectively. Net cash flows provided by operating activities changed mainly due to operating income (loss).

For these years net cash provided by investing activities was $272,136, $1,671,554, and $116,381, respectively. Net cash flows provided by investing activities changed mainly due to the sale of investments.

Going Forward

Insurance Market for Ohio School Districts

The environment in which SORSA operates is moderately competitive. There are options available to school districts for both pooling alternatives as well as traditional insurance. While pricing in the insurance market for schools has been stable for several years, changes are underway that will tend to increase pricing for all Ohio schools. Recent deterioration in weather patterns across Ohio has increased claim frequency and severity.

Funding

SORSA consults with professional actuaries to assist with the determination of the amount needed to fund the $100,000 pool self-insured retention. Because of an upward trend in claims, primarily property related, the SORSA Board of Directors has opted to fund at an increased confidence level. This selection of a higher actuarial confidence level provides additional loss fund contributions to support the increase in claims activity.

Member Dividends

In order to maintain conservative funding for the SORSA pool, the Board of Directors has taken the position that there will be no dividends declared for distribution to members during the first several program years. When the SORSA Board of Directors determines that a dividend may be declared, SORSA will rely upon conservative actuarial estimates to formulate the plan for dividend distribution.

Cost Containment

SORSA endeavors to contain loss costs by utilizing claims administrators and defense attorneys who are very experienced in handling third-party liability cases for political subdivisions, and by full utilization of statutory immunities available to our members.

SORSA also engages in several risk management and loss control training programs. These include training in the areas of student transportation, school athletics safety, employment practices, sexual molestation prevention and other topics of concern to k-12 public schools.

SORSA manages operational expenses as the pool has grown. Expenses have been reduced as a result of negotiations with service providers including fees paid to SORSA's insurance broker, claims administrator and local insurance agents.

Legal Environment

The legal environment in which SORSA operates is relatively stable, with recent modest improvements in statutory immunity for school districts and other political subdivisions.

Contacting SORSA Financial Management

This financial report is designed to provide the users of SORSA's services, governments, taxpayers and creditors with a general overview of the organization's finances. If you have any questions about this report or need additional information, contact the SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011 As Restated
Current assets		
Cash and cash equivalents	$ 1,163,317	$ 1,576,137
Accounts receivable	261,937	21,171
Investments	250,728	500,537
Prepaid assets	37,545	37,535
Total current assets	1,713,527	2,135,380
Other assets		
Prepaid assets	39,886	8,193
Capital assets, net	2,717	4,450
Other receivable	383,457	316,303
Total other assets	426,060	328,946
Total assets	$ 2,139,587	$ 2,464,326

LIABILITIES AND NET ASSETS

	2012	2011 As Restated
Current liabilities		
Accounts payable	$ 18,877	$ 17,922
Unearned premium	501,271	305,009
Reserve for unpaid claims	1,247,333	1,195,919
Total liabilities	1,767,481	1,518,850
Net assets		
Unrestricted	369,389	941,026
Invested in capital assets, net of related debt	2,717	4,450
Total net assets	372,106	945,476
Total liabilities and net assets	$ 2,139,587	$ 2,464,326

See accompanying notes to financial statements.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011 As Restated
Revenues		
Member premiums	$ 3,881,485	$ 3,415,944
Ceded premiums	(1,791,485)	(1,635,933)
Net premiums earned	2,090,000	1,780,011
Expenses		
Loss adjustments	1,727,827	1,191,821
Agency commission	338,713	294,354
Claims administration	144,379	126,531
Pool administration	194,755	172,498
Salaries and benefits	169,962	169,939
Legal and professional	52,206	54,404
General and administrative	80,262	78,060
Travel and meetings	18,961	17,865
Appraisal fees	220	29,550
General insurance	10,024	8,154
Sales and marketing	13,809	17,745
Depreciation	1,733	2,539
Total expenses	2,752,851	2,163,460
Excess expenses over revenue	(662,851)	(383,449)
Other revenue		
Non-operating gains	89,481	60,114
Change in net assets	(573,370)	(323,335)
Net assets at beginning of period as previously reported	945,476	1,003,948
Restatement	-	264,863
Net assets at beginning of period as restated	945,476	1,268,811
Net assets at end of period	$ 372,106	$ 945,476

See accompanying notes to financial statements.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011 As Restated
Operating activities		
Cash received for premiums	$ 3,836,981	$ 3,503,110
Cash paid for claims	(1,676,413)	(1,382,325)
Cash payments to vendors for services and goods	(884,077)	(776,430)
Cash paid for excess insurance	(1,791,485)	(1,635,933)
Cash paid to employees for wages and benefits	(169,962)	(169,939)
Net cash flows from operating activities	(684,956)	(461,517)
Capital and related financing activities		
Purchase of capital assets	-	-
Net cash flows from capital and related financing activities	-	-
Investing activities		
Other receivable	(67,154)	(51,440)
Sales of investments	339,290	1,722,994
Net cash flows from investing activities	272,136	1,671,554
Net change in cash and cash equivalents	(412,820)	1,210,037
Cash and cash equivalents - beginning of period	1,576,137	366,100
Cash and cash equivalents - end of period	$ 1,163,317	$ 1,576,137
Reconciliation of change in net assets to net cash flows from operating activities:		
Excess expenses over revenues	$ (662,851)	$ (383,449)
Depreciation	1,733	2,539
Changes in operating assets and liabilities		
Accounts receivable	(240,766)	(21,171)
Prepaid assets	(31,703)	31,666
Accounts payable	955	(8,935)
Unearned premium	196,262	108,337
Reserve for unpaid claims	51,414	(190,504)
Net cash provided by operating activities	$ (684,956)	$ (461,517)

See accompanying notes to financial statements.

1. ORGANIZATION AND PLAN OF OPERATION

The Schools of Ohio Risk Sharing Authority (SORSA) is an Ohio non-profit organization formed by Ohio school districts to provide cost effective pooled insurance to its members. SORSA is a self-funded, group insurance consortium that offers property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage, and school board errors and omissions insurance coverage. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

Premiums are paid on an annual basis. Pursuant to participation agreements with SORSA, each member agrees to pay all funding rates associated with the coverage elected; as such funding rates are set and billed to the members by SORSA. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claims costs, and reserves. Reserves are determined by an independent actuary and allocated based on expected claim activity. Rates are calculated to cover the administrative expenses and expected claims costs of the program as well as provide additional member equity.

SORSA was incorporated as a governmental insurance pool on January 31, 2002. Operations and plan coverage officially began on February 1, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

SORSA uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Authority has elected to apply the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification that do not conflict with or contradict GASB pronouncements.

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 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 estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds on deposits in banks and money market funds. SORSA maintains cash balances which are in excess of those insured by the Federal Depository Insurance Corporation. However, to date, no losses have been experienced.

Investments

Investment income or loss (including realized gains and losses on investments, interest and dividends) is recognized in the statement of revenues, expenses and changes in net assets as a component of other revenue.

Capital Assets

SORSA's capital assets are reported at historical cost net of depreciation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. SORSA's capitalization policy is to capitalize all items greater than $500 with a useful life greater than one year. SORSA's capital assets consist of fixtures and are depreciated over a five year useful life.

Accounts Receivable

SORSA pays third party claims at their full value and then bills members for their deductible portion. Accounts receivable is recognized when a deductible is due. Based on historical factors and SORSA's allowance experience, no allowance for uncollectible receivables have been reserved.

Reserve for Unpaid Claims

SORSA's reserve for unpaid claims is determined using estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. The reserve represents an estimate of the ultimate cost of all claims incurred which were unpaid at each fiscal period end. While information is available for the known losses, the liability for which has been established on a case-by-case basis, the unknown losses are based on SORSA's best estimate of such liabilities. Although SORSA considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary and ultimate losses may differ significantly from amounts projected. The effects of changes in reserve estimates are included in the statement of revenues, expenses, and changes in net assets in the period in which estimates are changed. Reserves are not discounted.

Premiums Revenue and Unearned Premiums

Premiums are paid annually by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

Other Assets

Other assets represent SORSA's ownership interest in a subscriber's account with United Educators. 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.

Net Assets

Net assets represent the excess of revenues over expenses since inception. It is displayed in two 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 improvement of those assets.

Unrestricted – This consists of net assets that do not meet the definition of "invested in capital assets, net of related debt".

As of June 30, 2012, and 2011, SORSA does not have any "restricted" net assets. The SORSA Board of Directors may authorize the distribution of the net assets to those members who constituted the self-insurance pool during the years when such net assets were earned, provided that such members must also be members of SORSA in the year in which said distribution was made.

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

Income Taxes

SORSA is organized as a not-for-profit corporation under Section 501(c) (3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by SORSA and recognize a tax liability if SORSA has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by SORSA, and has concluded that as of June 30, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

SORSA is generally exempt from income taxes. SORSA is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

Subsequent Events

SORSA has evaluated events or transactions occurring subsequent to June 30, 2012 for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is October 31, 2012.

Risk Management

SORSA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

3. RESERVE FOR UNPAID CLAIMS

As discussed in footnote 2, SORSA establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those liabilities for SORSA:

	2012	2011
Unpaid claims and claim adjustment expenses at beginning of period	$ 1,195,919	$ 1,386,423
Incurred losses and loss adjustment expense	1,727,827	1,191,821
Less payment of claims	1,676,413	1,382,325
Unpaid claims and claim adjustment expenses at end of period	$ 1,247,333	$ 1,195,919

4. DEPOSITS

At June 30, 2012 and 2011, the bank balance of SORSA's demand deposits and money market accounts totaled $1,455,075 and $1,611,125, respectively. Of this balance, $258,324 and $260,322, respectively, was covered by federal depository insurance.

At June 30, 2012, SORSA had the following investments and maturities, all of which were held in SORSA's name by custodial banks that are agents of SORSA:

Investment	Fair Value	Maturities < than 1 year	Maturities 1 - 5 years	As part of Total Investments
Discover Bank	$ 250,728	$ 250,728	$ -	100%
Certificates of deposit	$ 250,728	$ 250,728	$ -	100%

At June 30, 2011, SORSA had the following investments and maturities, all of which were held in SORSA's name by custodial banks that are agents of SORSA:

Investment	Fair Value	Maturities < than 1 year	Maturities 1 - 5 years	As part of Total Investments
GE Money Bank	$ 250,132	$ 250,132	$ -	50%
Park Bank	250,405	250,405	-	50%
Certificates of deposit	$ 500,537	$ 500,537	$ -	100%

Interest rate risk – SORSA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Concentration of credit risk – SORSA places no limit on the amount it may invest in any one issuer. SORSA maintains its investments, which at times may exceed federally insured limits. SORSA has not experienced any losses in such accounts. SORSA believes it is not exposed to any significant credit risk on investments.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, SORSA's deposits may not be returned. As of June 30, 2012 and 2011, respectively, $1,196,751 and $1,350,803 of SORSA's bank balance was exposed to custodial credit risk. SORSA understands this and has reduced its exposure by adopting an investment policy in accordance with Chapter 135 of the Ohio Revised Code applicable to public schools in the State of Ohio and has obtained collateral agreements with its banks and investment firm.

5. CAPITAL ASSETS

Capital assets at June 30, 2012 and 2011 were as follows:

	2011	Additions	Retirements	2012
Furniture and fixtures	$ 25,493	$ -	$ -	$ 25,493
Less: accumulated depreciation	21,043	1,733	-	22,776
Capital assets, net	$ 4,450			$ 2,717

	2010	Additions	Retirements	2011
Furniture and fixtures	$ 25,493	$ -	$ -	$ 25,493
Less: accumulated depreciation	18,504	2,539	-	21,043
Capital assets, net	$ 6,989			$ 4,450

6. RESTATEMENT

The accompanying financial statements as of and for the year ended June 30, 2011, and the net assets as of July 1, 2010, have been restated to reflect a correction in SORSA's recorded assets. Management became aware of a subscription agreement with United Educators which has a value based on SORSA's initial subscription plus earnings. The net value of SORSA's other assets was understated by approximately $316,000 as of June 30, 2011. The following is a summary of the restatement for 2011:

	Originally Reported	Adjustment	Restated
Balance sheet			
Assets			
Other receivable at June 30, 2011	$ -	$ 316,303	$ 316,303
Other assets at June 30, 2011	12,643	316,303	328,946
Total assets at June 30, 2011	2,148,023	316,303	2,464,326
Net assets			
Net assets - unrestricted at July 1, 2010	996,959	264,863	1,261,822
Total net assets at July 1, 2010	1,003,948	264,863	1,268,811
Total liabilities and net assets at July 1, 2010	2,613,900	264,863	2,878,763
Statements of revenues, expenses, and changes in net assets			
Other revenue			
Non-operating gains (net)	8,674	51,440	60,114
Change in net assets	(374,775)	51,440	(323,335)
Statements of cash flows			
Investing activities			
Other receivable	-	(51,440)	(51,440)
Sale of investment	1,671,554	51,440	1,722,994
Net cash flows from investing activities	1,671,554	-	1,671,554
Net change in cash and cash equivalents	1,210,037	-	1,210,037

7. EXCESS INSURANCE COVERAGE

SORSA purchases reinsurance to cover the cost of large claims. For property and automobile physical damage claims SORSA collectively self-insures the first $100,000 of each claim; the reinsurer reimburses amounts above this level. For third-party liability claims other than Uninsured/Underinsured Motorists coverage SORSA collectively self-insures $100,000 of each claim; the reinsurer reimburses amounts above this level. For third-party Uninsured/Underinsured Motorists coverage, SORSA collectively self-insures the first $200,000 of each claim. For equipment breakdown claims SORSA reinsures 100% of this exposure and does not retain any level of self-insurance.

8. COMMITMENTS AND CONTINGENCIES

SORSA leases office space from Ohio School Boards Association. Rent expense under the lease was $27,571 and $28,174 for 2012 and 2011, respectively.

Approximate future annual minimum lease payments under the lease are as follows:

2013	$	16,032
2014		16,032
2015		8,016
	$	40,080

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS OF OHIO RISK SHARING AUTHORITY

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT
YEARS ENDED JUNE 30, 2012 AND 2011

The schedule below presents the changes in claims liabilities for SORSA's contracts for the periods ending June 30, 2012 and June 30, 2011.

June 30, 2012		Property and Liability
Unpaid losses and loss adjustment expenses, beginning of fiscal period	$	1,195,919
Plus: Incurred losses and loss adjustment expenses		
Provision for insured events of the period		1,727,827
Less: Payments		
Benefits attributable to insured events		1,676,413
Total unpaid losses and loss adjustment expenses, end of fiscal period	$	1,247,333

June 30, 2011		Property and Liability
Unpaid losses and loss adjustment expenses, beginning of fiscal period	$	1,386,423
Plus: Incurred losses and loss adjustment expenses		
Provision for insured events of the period		1,191,821
Less: Payments		
Benefits attributable to insured events		1,382,325
Total unpaid losses and loss adjustment expenses, end of fiscal period	$	1,195,919

See report of independent auditors on page 1.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

CLAIMS DEVELOPMENT
YEARS ENDED JUNE 2004 THROUGH 2012

Ten Year Claims Development Information

The table below illustrates how SORSA's earned revenues and investment income compare to related costs of loss and other expenses assumed by SORSA. The rows of the table are defined as follows:

1) This section shows the total of each fiscal year's earned contract revenues and investment revenues.

2) This line shows each fiscal year's other operating costs of SORSA including overhead and claims expense not allocable to individual claims.

3) This section shows SORSA's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4) This section of rows show the cumulative amounts paid as of the end of successive years for each policy year.

5) This section of rows shows how each policy years incurred claims increased or decreased as of the end of the successive years. This annual re-estimation result from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether the latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between the original estimated and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Note: The following table only presents years 2004 through current as SORSA's activity prior to 2004 was under a calendar year-end.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

CLAIMS DEVELOPMENT
YEARS ENDED JUNE 2004 THROUGH 2012

	Fiscal Year Ended 6/30/2012	Fiscal Year Ended 6/30/2011	Fiscal Year Ended 6/30/2010	Fiscal Year Ended 6/30/2009	Fiscal Year Ended 6/30/2008	Fiscal Year Ended 6/30/2007	Fiscal Year Ended 6/30/2006	Fiscal Year Ended 6/30/2005	Five Month Period Ended 6/30/2004
1. Required contribution and investment revenue									
Earned	$ 3,881,485	$ 3,415,944	$ 3,364,805	$ 3,348,075	$ 3,314,942	$ 3,094,235	$ 2,958,419	$ 3,673,926	$ 1,632,600
Ceded	1,791,485	1,635,933	1,572,098	1,447,117	1,452,458	1,169,570	955,265	1,590,395	913,321
Net earned	2,090,000	1,780,011	1,792,707	1,900,958	1,862,484	1,924,665	2,003,154	2,083,531	719,279
2. Unallocated expenses	1,025,024	971,639	946,719	1,008,892	928,160	883,248	871,413	981,423	514,783
3. Estimated claims and expenses end of policy year:									
Incurred	1,200,000	1,171,386	1,026,000	905,000	413,000	1,101,139	911,791	1,017,776	420,442
Ceded	-	-	-	-	-	-	-	-	-
Net incurred	1,200,000	1,171,386	1,026,000	905,000	413,000	1,101,139	911,791	1,017,776	420,442
4. Net paid claims as of: (cumulative)									
End of policy year	947,036	925,088	519,876	781,821	464,528	312,965	267,176	292,930	93,093
One year later	-	1,488,136	996,798	962,899	651,885	411,983	396,843	392,020	372,979
Two years later	-	-	1,084,164	1,060,497	967,835	460,722	474,574	396,931	437,591
Three years later	-	-	-	1,109,043	827,356	543,742	508,166	512,634	472,304
Four years later	-	-	-	-	832,380	546,503	521,819	513,711	485,334
Five years later	-	-	-	-	-	571,896	521,819	521,451	485,665
Six years later	-	-	-	-	-	-	521,819	521,451	485,665
Seven years later	-	-	-	-	-	-	-	521,451	485,665
Eight years later	-	-	-	-	-	-	-	-	485,665
Nine years later	-	-	-	-	-	-	-	-	-
5. Re-estimated net incurred claims and expense, as of:									
End of policy year	1,727,827	1,171,386	1,026,000	905,000	913,000	1,101,139	911,791	1,017,776	535,004
One year later	-	1,488,136	1,026,000	1,005,000	913,000	1,101,139	911,791	1,017,776	535,004
Two years later	-	-	1,085,000	1,005,000	1,013,000	1,101,139	661,791	1,017,776	535,004
Three years later	-	-	-	1,110,000	1,013,000	1,001,139	661,791	702,884	535,004
Four years later	-	-	-	-	833,000	1,001,139	661,791	702,884	599,896
Five years later	-	-	-	-	-	684,390	661,791	602,884	599,896
Six years later	-	-	-	-	-	-	677,790	602,884	599,896
Seven years later	-	-	-	-	-	-	-	602,884	599,896
Eight years later	-	-	-	-	-	-	-	-	599,896
Nine years later	-	-	-	-	-	-	-	-	-
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	$ -	$ 316,750	$ 59,000	$ 105,000	$ (180,000)	$ (316,749)	$ 15,999	$ -	$ -

See report of independent auditors on page 1.

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

To the Board of Directors
Schools of Ohio Risk Sharing Authority
Columbus, Ohio

We have audited the financial statements Schools of Ohio Risk Sharing Authority (SORSA) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 31, 2012. 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

The management of SORSA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SORSA'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 SORSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SORSA's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency as described in the accompanying schedule of findings and responses to be a material weakness (2012-1).

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SORSA'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 management of SORSA in a separate letter dated October 31, 2012.

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

Bruner & Co., LLC

October 31, 2012

Schools of Ohio Risk Sharing Authority
Schedule of Findings and Responses
June 30, 2012

2012-1: Prior period adjustment regarding unrecorded subscription agreement

Condition: SORSA wasn't aware of the United Educators account until fiscal year 2012 and therefore didn't record an associated asset for this account.

Criteria: Assets held by an organization are required to be classified as either a current or other asset on the balance sheet.

Cause: SORSA entered into a subscription agreement with United Educators in 2006 that earned investment returns and interest.

Effect: During the audit, a prior period adjustment and a current year audit entry were posted to record approximately $383,000 to add SORSA's interest in the United Educators subscription agreement.

Recommendation: We recommend that management record all investment type activity to accurately reflect the financial position of the organization.

Management's Response: Management is in agreement and will initiate a review each year to assess any and all investments.

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SCHOOLS OF OHIO 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
JANUARY 22, 2013