

County Risk Sharing Authority, Inc.

*Financial Statements as of and for the Years
Ended April 30, 2007 and 2006, and Required
Supplementary Information for the Year
Ended April 30, 2007 and Independent
Auditors' Report*



Mary Taylor, CPA

Auditor of State

Board of Directors
County Risk Sharing Authority, Inc.
37 West Broad Street, Suite 650
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, 2006 through April 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 10, 2007

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COUNTY RISK SHARING AUTHORITY, INC.

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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, 2007 and 2006, 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 CORSA 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, 2007 and 2006, 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 2-6 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 18-21 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 for the year ended April 30, 2007 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2007, 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.

Deloitte & Touche LLP

July 20, 2007

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, 2007 and 2006. 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.

CORSA's mission is achieved through the following objectives:

- Utilize the highest standards of ethics, oversight, and transparency in all processes and decisions.
- Offer property and liability coverage that is specifically designed to meet the unique and changing needs of county governments.
- Provide a stable, financially secure, and competitive risk financing system.
- Control losses with cost-effective claims administration and litigation management.
- Provide comprehensive loss control and loss prevention services.
- Provide expertise, education, and training on risk management issues impacting Ohio county governments.

As of April 30, 2007, sixty-two (62) Ohio counties and sixteen (16) county facilities were members of CORSA. The County Commissioners Association of Ohio and its related entities were also members of CORSA during the 2006-2007 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 account 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 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, commitments and related parties.

In addition to the financial statements and accompanying notes, supplementary information is presented in a separate section illustrating CORSA's past ten 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 for the fiscal years ending April 30, 2007 and 2006. More detailed information is available in the accompanying basic financial statements.

Assets	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents	\$ 12,938,050	\$ 4,525,311	\$ 8,412,739
Receivables	10,458,585	18,232,253	(7,773,668)
Investments	57,120,143	51,109,065	6,011,078
Property and equipment	186,309	121,875	64,434
Loans to CCAO Service Corporation	1,058,845	700,000	358,845
Total assets	<u>\$ 81,761,932</u>	<u>\$ 74,688,504</u>	<u>\$ 7,073,428</u>
Liabilities			
Unpaid losses and loss adjustment expenses	\$ 30,815,237	\$ 29,168,757	\$ 1,646,480
Deferred member contributions	20,169,938	19,226,351	943,587
Payable for investment purchases	1,256,238		1,256,238
Accrued expenses and other	53,549	89,286	(35,737)
Total liabilities	<u>\$ 52,294,962</u>	<u>\$ 48,484,394</u>	<u>\$ 3,810,568</u>
Net Assets	<u>\$ 29,466,970</u>	<u>\$ 26,204,110</u>	<u>\$ 3,262,860</u>

Cash and cash equivalents were \$8,412,739 more on April 30, 2007 than on April 30, 2006. This increase is due to the fact that many more premiums for the upcoming fiscal year were paid before April 30 in 2007 than were paid before April 30 in 2006. Correspondingly, receivables due from counties on April 30, 2007 were significantly lower than on April 30, 2006 for the same reason. More premiums were owed to CORSA for the new fiscal year on April 30, 2006 than on April 30, 2007.

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 mandates that no more than 25% can be allocated to equity securities.

Property and equipment increased by \$64,434 between April 30, 2006 and April 30, 2007. CORSA brought claims administration and processing in-house during the fiscal period of 2006-2007. These services were formerly provided by a third party administrator. Capital and fixed assets related to this undertaking, such as computers, equipment, and vehicles, account for this increase.

Also listed on the 2007 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation (CCAO SC) in the amount of \$1,058,845. 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 \$7,073,428 over the previous year.

The liability for unpaid losses and loss adjustment expenses increased from \$29,168,757 in 2006 to \$30,815,537 in 2007. This amount is determined by an independent actuary. Reserves are established for the estimated amount that will have to be paid at some future date to settle reported claims. Reserves are also established for claims that have occurred but are not yet known to CORSA (Incurred But Not Reported - IBNR). The IBNR also includes an estimate of future development of current reserves. Therefore, liabilities are recognized in the current year for some claims that will not be reported until future periods. The increase in liability reserves can be attributed to a large increase in the IBNR for the current year in 2006-2007 over the IBNR for the current year in 2005-2006.

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 \$19,226,351 in 2006 to \$20,169,938 in 2007. The increase in contributions is due to new county facilities joining CORSA during the 2006-2007 year, increased exposures of current members, and additional coverage being purchased by current members.

The difference between assets and liabilities, or Net Assets, increased by \$3,262,860 from 2006 to 2007. A distribution of approximately \$2,400,000 was made to CORSA members at the time of the 2006-2007 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 2007-2008 renewal, which was subsequent to April 30, 2007.

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, 2007 and 2006. More detailed information is available in the accompanying basic financial statements.

Revenues	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Member contributions (less commercial insurance)	\$ 17,387,763	\$ 16,159,630	\$ 1,228,133
Net investment income	5,024,368	2,022,643	3,001,725
Other	32,262	20,764	11,498
Total revenues	<u>\$ 22,444,393</u>	<u>\$ 18,203,037</u>	<u>\$ 4,241,356</u>
 Expenses			
Loss and loss adjustment expenses for current year events	\$ 13,266,303	\$ 10,862,995	\$ 2,403,308
Provision (benefit) for insured events of prior years	(588,394)	6,791,012	\$ (7,379,406)
Marketing, administrative, and other	6,503,624	5,540,530	963,094
Total expenses	<u>\$ 19,181,533</u>	<u>\$ 23,194,537</u>	<u>\$ (4,013,004)</u>
Change in Net Assets	\$ 3,262,860	\$ (4,991,500)	\$ 8,254,360
 NET ASSETS			
Beginning of year	<u>26,204,110</u>	<u>31,195,610</u>	
End of year	<u>\$ 29,466,970</u>	<u>\$ 26,204,110</u>	

Member contributions earned increased from \$16,159,630 in 2006 to \$17,387,763 in 2007. This increase is attributed mainly to new facilities joining CORSA for the 2006-2007 fiscal year and additional lines of coverage provided to existing members.

The other part of CORSA's revenues is in investment income. CORSA's net investment income, including unrealized and realized gains, increased \$3,001,725 from the previous year.

CORSA's revenues in total increased by \$4,241,356 between 2006 and 2007.

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, and reserves that have been established by adjustors for pending open claims that have occurred during the current year. The expenses also include IBNR reserves for the current year. CORSA's loss and loss adjustment expenses for the current year increased by \$2,403,308 from 2006 to 2007.

The provision (benefit) for insured events of prior years represents the changes in the amounts paid, reserved, and the IBNR for all program years prior to the current program year. The expenses as of April 30, 2007 for paid and reserved claims and the IBNR for each year prior to April 30, 2007 were compared to the same expenses as of April 30, 2006. The provision (benefit) represents a total of the changes of each program year. This year, there was a benefit attributable to prior years. The main source of this benefit is a better than expected claims development for the prior years 2001-2002 through 2003-2004.

Marketing, administrative, and other expenses increased by \$963,094 between 2006 and 2007. Included in this category are the distributions to CORSA members totaling \$2,400,000 in the 2006-2007 fiscal year, an increase of \$800,000 over the 2005-2006 fiscal year.

Due mainly to positive investment returns, including realized and unrealized gains, CORSA realized an overall net income of \$3,262,860. CORSA's net assets, also known as member equity, stand at \$29,466,970 as of April 30, 2007.

Recent Trends and Risks

CORSA is financially strong, and has a high level of member support and loyalty. In its 18 year history, only one county has left the CORSA program, and that county has since requested an opportunity to rejoin, and CORSA agreed to extend membership to that county in May of 2005. 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. Excess insurance and reinsurance costs account for approximately 20% of total operating costs.

The other major risk to CORSA is the possibility of extraordinary or unexpected claims. During the 2005-2006 program year, there was unprecedented adverse claims development for prior program years, which resulted in an expense for insured events of prior years of \$6,791,012. Loss development for prior years improved significantly during the 2006-2007 year, which resulted in losses for prior years actually decreasing by \$588,394. The financial strength of CORSA enables the Program to sustain a year with unusually high losses or loss development. CORSA's management and the Board of Directors prepare for contingencies by remaining conservative in investment and other financial decisions.

During 2007, CORSA has implemented new risk management initiatives to address employment practice, law enforcement liability, and auto liability issues. By bringing claims in-house, CORSA now has its own staff to manage the claim and litigation process, and therefore has control over the largest component of the Program's total expenses.

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., 37 West Broad Street, Suite 650, Columbus, Ohio 43215.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF NET ASSETS APRIL 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,938,050	\$ 4,525,311
Loans to CCAO Service Corporation	1,058,845	700,000
Accounts receivable:		
Member contributions receivable	9,006,200	16,790,310
Member deductibles receivable	700,503	665,802
Reinsurance and recoveries receivables	142,631	74,221
Accrued interest receivable	338,708	305,552
Related party receivables and other	617	25,493
Total current assets	<u>24,185,554</u>	<u>23,086,689</u>
INVESTMENTS	<u>57,120,143</u>	<u>51,109,065</u>
PROPERTY AND EQUIPMENT:		
Furniture and fixtures	97,528	80,420
Computer and equipment	47,210	45,914
Claims system	103,059	60,629
Vehicles	71,508	50,466
Total property and equipment	319,305	237,429
Accumulated depreciation	<u>(132,996)</u>	<u>(115,554)</u>
Property and equipment, net	<u>186,309</u>	<u>121,875</u>
LONG TERM — Related party receivables	<u>269,926</u>	<u>370,875</u>
TOTAL ASSETS	<u>\$ 81,761,932</u>	<u>\$ 74,688,504</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Reserves for unpaid losses and loss adjustment expenses	\$ 30,815,237	\$ 29,168,757
Deferred member contributions	20,169,938	19,226,351
Payable for investment purchases	1,256,238	
Accrued expenses and other	53,549	89,286
Total current liabilities	<u>52,294,962</u>	<u>48,484,394</u>
NET ASSETS:		
Invested in capital assets	186,309	121,875
Unrestricted	<u>29,280,661</u>	<u>26,082,235</u>
Total net assets	<u>29,466,970</u>	<u>26,204,110</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 81,761,932</u>	<u>\$ 74,688,504</u>

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED APRIL 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Member contributions	\$ 21,690,243	\$ 20,067,236
Less: Commercial insurance coverages	<u>4,302,480</u>	<u>3,907,606</u>
Total operating revenues, net	<u>17,387,763</u>	<u>16,159,630</u>
OPERATING EXPENSES:		
Loss and loss adjustment expenses for current year events	13,266,303	10,862,995
Provision (benefit) for insured events of prior years	(588,394)	6,791,012
Third party claims administration expenses	114,730	655,602
Brokerage fees	350,000	350,000
Agent fees	1,244,542	1,155,723
Depreciation	68,176	20,832
Distribution to members	2,400,000	1,600,022
Property appraisals	82,465	116,005
Lightning protection expenses	262,735	330,460
Law enforcement incentive program expenses	19,151	21,032
Administrative expenses	<u>1,961,825</u>	<u>1,290,854</u>
Total operating expenses	<u>19,181,533</u>	<u>23,194,537</u>
OPERATING LOSS	<u>(1,793,770)</u>	<u>(7,034,907)</u>
NON-OPERATING INCOME (EXPENSES):		
Investment income	2,842,842	2,461,980
Unrealized gain (loss) on investments	1,928,461	(900,535)
Gain on sale of investments	605,475	796,578
Other income	32,262	20,764
Investment fees	<u>(352,410)</u>	<u>(335,380)</u>
Non-operating income, net	<u>5,056,630</u>	<u>2,043,407</u>
CHANGE IN NET ASSETS	3,262,860	(4,991,500)
NET ASSETS:		
Beginning of year	<u>26,204,110</u>	<u>31,195,610</u>
End of year	<u>\$ 29,466,970</u>	<u>\$ 26,204,110</u>

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED APRIL 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and other parties	\$ 30,081,810	\$ 11,939,031
Cash paid for commercial insurance	(4,302,480)	(3,907,606)
Cash paid for claims	(11,031,429)	(9,748,120)
Cash paid for other expenses	<u>(6,471,186)</u>	<u>(5,521,560)</u>
Net cash provided by (used in) operating activities	<u>8,276,715</u>	<u>(7,238,255)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(132,610)	(93,961)
Proceeds from sale of asset	<u>6,000</u>	<u> </u>
Net cash (used in) capital and related financing activities	<u>(126,610)</u>	<u>(93,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investments and other income	2,835,948	2,493,548
Cash paid for investment fees	(352,410)	(335,380)
Purchase of investments	(41,558,822)	(55,916,521)
Proceeds from sale of investments	38,802,918	46,810,947
Proceeds from maturity of investments	<u>535,000</u>	<u>6,795,030</u>
Net cash provided by (used in) investing activities	<u>262,634</u>	<u>(152,376)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,412,739	(7,484,592)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>4,525,311</u>	<u>12,009,903</u>
End of year	<u>\$ 12,938,050</u>	<u>\$ 4,525,311</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating loss	\$ (1,793,770)	\$ (7,034,907)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	68,176	20,832
Loss on disposal of asset		998
Member contributions receivable	7,784,110	(8,800,160)
Related party receivable and other	(233,020)	(647,308)
Member deductibles receivable	(34,701)	(87,799)
Reinsurance receivable	(68,410)	67,894
Unpaid losses and loss adjustment expenses	1,646,480	7,905,887
Deferred member contributions	943,587	1,339,168
Accrued expenses and other	<u>(35,737)</u>	<u>(2,860)</u>
Net cash provided by (used in) operating activities	<u>\$ 8,276,715</u>	<u>\$ (7,238,255)</u>

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED APRIL 30, 2007 AND 2006

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, 2007, sixty-two (62) Ohio counties and sixteen (16) county facilities were members of CORSA. The County Commissioners' Association of Ohio and its related entities were also members of CORSA during the 2006-2007 fiscal year.

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. Effective May 1, 2002, CORSA's SIR was increased to \$1,000,000 per occurrence, as cost of commercial insurance and reinsurance increased dramatically for both private and public sectors. Due to CORSA's strong surplus position, it became more cost-effective for CORSA to increase its SIR to \$1,000,000 in order to minimize the impact of rising reinsurance costs to members.

The coverage offered by CORSA is on a modified claims-made basis, whereby the policy provisions call for payment of claims which occur during the program year and are reported within 24 months following the end of the program year.

CORSA has established two loss funds to pay for losses occurring within the self-insured retention. The primary loss fund pays for losses within the first \$200,000 layer and the secondary loss fund pays for losses within the next \$800,000 layer. All members must make annual contributions to the primary loss fund and secondary loss fund to pay claims and related expenses incurred within CORSA's self-insured retention.

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, 2007 and 2006, the Bond Fund had assets of approximately \$3,708,000 and \$4,800,000, respectively. Beginning with the 2003-2004 fiscal year, \$250,000 of Bond Fund equity and \$250,000 of Bond Fund investment income was returned annually to Bond Fund participants in the form of credits to the annual member contributions. Since CORSA's adjusters have indicated that there are not open claims that could penetrate the Bond Fund, and since the actuary has removed IBNR, the decision has been 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 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 consist primarily of investments in money market securities having an original maturity of 90 days or less.

Investments are reported at market value. 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. 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.

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 is three years.

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 include the estimated costs of investigating and settling all claims incurred as of the balance sheet date. Such amounts are determined on the basis of claims adjusters' evaluations of losses reported and CORSA's actuary's estimated losses incurred but not reported 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 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 that are unavailable for 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, 2007, 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 to be at least 75% 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 into checking accounts and interest-bearing money market accounts, as well as funds held in highly liquid securities in the investment pools. At April 30, 2007, the carrying amount of CORSA's cash and cash equivalents was \$12,938,050. Of this amount, \$100,000 was insured. CORSA maintains balances that are in excess of those insured by the Federal Depository Insurance Corporation. However, to date no losses have been experienced.

Investments

Investments held by CORSA at April 30, 2007 and 2006, 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. 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.

2007 Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
US Treasury bonds	\$ 4,813,263	\$ -	\$ 4,813,263	\$ -	\$ -
US Agency bonds	5,565,465		5,565,465		
Strips	870,114		870,114		
Mortgage-backed bonds	24,013,454		24,013,454		
Corporate bonds	9,258,653			9,258,653	
International bonds	574,983			574,983	
Municipal bonds	269,239		269,239		
Common and Preferred Stocks	11,754,972	11,754,972			
Total Investments	\$ 57,120,143	\$ 11,754,972	\$ 35,531,535	\$ 9,833,636	\$ -

2006					
Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
US Treasury bonds	\$ 2,233,386	\$ -	\$ 2,233,386	\$ -	\$ -
US Agency bonds	3,979,445		3,979,445		
Strips	357,130		357,130		
Mortgage-backed bonds	24,981,068		24,981,068		
Corporate bonds	9,043,377			9,043,377	
International bonds	802,197			802,197	
Common and Preferred Stocks	9,712,462	9,712,462			
Total Investments	\$ 51,109,065	\$ 9,712,462	\$ 31,551,029	\$ 9,845,574	\$ -

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 is 30 years. The following table presents CORSA's bond investments as of April 30, 2007 and 2006 by length of maturity.

2007					
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
US Treasury bonds	\$ 4,813,263	\$ 511,179	\$ 353,121	\$ 2,867,566	\$ 1,081,397
US Agency bonds	5,565,465	528,119	2,542,630	2,140,042	354,674
Strips	870,114			297,676	572,438
Mortgage-backed bonds	24,013,454		1,838,679	1,076,883	21,097,892
Corporate bonds	9,258,653	155,833	4,055,681	3,972,105	1,075,034
International bonds	574,983		574,983	-	
Municipal bonds	269,239				269,239
Total Bonds	\$ 45,365,171	\$ 1,195,131	\$ 9,365,094	\$ 10,354,272	\$ 24,450,674

2006					
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
US Treasury bonds	\$ 2,233,386	\$ 59,191	\$ 387,817	\$ 758,414	\$ 1,027,964
US Agency bonds	3,979,445		2,105,139	1,874,306	
Strips	357,130				357,130
Mortgage-backed bonds	24,981,068		1,356,536	557,678	23,066,854
Corporate bonds	9,043,377		3,413,552	3,778,208	1,851,617
International bonds	802,197		580,622	221,575	
Total Bonds	\$ 41,396,603	\$ 59,191	\$ 7,843,666	\$ 7,190,181	\$ 26,303,565

The CORSA Investment Policy also stipulates that the weighted average portfolio maturity for 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, 2007 and 2006, are as follows (net of reinsurance, see Note 5).

	2007	2006
Unpaid losses and loss adjustment expenses, beginning of the fiscal year	<u>\$29,168,757</u>	<u>\$21,262,870</u>
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year	13,266,303	10,862,995
Provision (benefit) for insured events of prior fiscal years	<u>(588,394)</u>	<u>6,791,012</u>
Total incurred losses and loss adjustment expenses	<u>12,677,909</u>	<u>17,654,007</u>
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	2,429,048	2,058,220
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	<u>8,602,381</u>	<u>7,689,900</u>
Total payments	<u>11,031,429</u>	<u>9,748,120</u>
Total unpaid losses and loss adjustment expenses, end of the fiscal year	<u><u>\$30,815,237</u></u>	<u><u>\$29,168,757</u></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 ending in 2007 and 2006. Property coverage also had a per-occurrence retention limit of \$1,000,000 for fiscal years ending in 2007 and 2006, with the exception of boiler and machinery 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. Excess property is covered by St. Paul/Travelers, and excess liability is covered by Munich/American Re. Hartford Steam Boiler is the reinsurance carrier for boiler and machinery.

In the event that a loss should exceed the amount of coverage provided by CORSA, then the payment of any uncovered valued loss 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 \$4,302,480 and \$3,907,606 for fiscal years 2007 and 2006, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$719,153 and \$4,342,720 for fiscal years 2007 and 2006, respectively.

6. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2007 and 2006 was as follows:

	April 30, 2006	Additions	Deductions	April 30, 2007
Capital assets being depreciated:				
Computer and equipment	\$ 45,914	\$ 1,296	\$	\$ 47,210
Vehicles	50,466	51,566	30,524	71,508
Claims system	60,629	62,640	20,210	103,059
Furniture and fixtures	<u>80,420</u>	<u>17,108</u>	<u> </u>	<u>97,528</u>
 Total property and equipment	 <u>237,429</u>	 <u>132,610</u>	 <u>50,734</u>	 <u>319,305</u>
 Less accumulated depreciation:				
Computer and equipment	17,757	11,828		29,585
Vehicles	50,466	7,143	30,524	27,085
Claims system	2,077	36,657	20,210	18,524
Furniture and fixtures	<u>45,254</u>	<u>12,548</u>	<u> </u>	<u>57,802</u>
 Total accumulated depreciation	 <u>115,554</u>	 <u>68,176</u>	 <u>50,734</u>	 <u>132,996</u>
 Total capital assets being depreciated, net	 <u>\$ 121,875</u>	 <u>\$ 64,434</u>	 <u>\$</u>	 <u>\$ 186,309</u>

7. COMMITMENTS

During the 2006-2007 and 2005-2006 years, CORSA had agreements with Willis Pooling for brokerage services, and with the County Commissioners Association of Ohio (CCAO) which provided certain executive, marketing and administrative functions for CORSA. Fees for such services were recognized ratably over the applicable period.

Rental expense for operating leases totaled \$24,164 and \$24,041 for the years ended April 30, 2007 and 2006, respectively. These leases related to automobiles. Future minimum lease payments under contractually noncancellable operating leases (with initial lease terms in excess of one year) for years subsequent to April 30, 2007, are as follows: \$5,058 in fiscal year 2007-2008 and \$0 thereafter.

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 County Commissioners Association of Ohio 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. Contributions of \$56,562 and \$43,052 were made for fiscal years ended April 30, 2007 and 2006, respectively.

10. RELATED PARTY

In 2002 and 2003, the CORSA Board of Directors and the County Commissioners' Association of Ohio (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. To date, \$269,926 is still due to CORSA from CEBCO.

During the fiscal years 2006-2007 and 2005-2006, 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 under this line of credit during both fiscal years. The agreement stipulates that outstanding principal amounts must be repaid within one year. CCAO SC paid interest to CORSA on any unpaid principal balance on a monthly basis, at a rate of 6%. Interest earned by CORSA on this line of credit during the fiscal years 2006-2007 and 2005-2006 was \$19,987 and \$20,267, respectively. The unpaid balance on the principal as of April 30, 2007 and April 30, 2006 was \$1,000,000 and \$700,000, respectively.

In May of 2006, another \$1,000,000 line of credit was extended by CORSA to the CCAO SC. The agreement stipulated that the entire principal was to be paid back to CORSA within two years. During the 2006-2007 fiscal year, the CCAO SC borrowed \$200,000 under this line of credit. Monthly payments of principal and interest were made to CORSA during the year, at an interest rate of 5%. Interest earned by CORSA on this line of credit during the 2006-2007 fiscal year was \$4,963. The unpaid balance on the principal as of April 30, 2007 was \$58,845.

* * * * *

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, 2007

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 each of the last ten fiscal periods. The rows of the table are defined as follows: (1) This line shows the total of each fiscal period's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's 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 originally 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. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. 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. The columns of the table show data for successive policy years.

COUNTY RISK SHARING AUTHORITY, INC.

REQUIRED SUPPLEMENTARY STATEMENT OF EARNED REVENUES, LOSSES, AND OTHER EXPENSES (NET OF REINSURANCE)

	April 30, 1998	April 30, 1999	April 30, 2000	April 30, 2001	April 30, 2002	April 30, 2003	April 30, 2004	April 30, 2005	April 30, 2006	April 30, 2007
(1) Net earned required contribution and investment revenues	\$ 10,456,788	\$ 11,051,068	\$ 10,437,266	\$ 12,447,298	\$ 10,830,400	\$ 13,773,236	\$ 16,289,754	\$ 17,703,328	\$ 18,538,417	\$ 22,790,803
(2) Unallocated expenses	2,082,672	2,353,243	2,378,819	3,007,253	2,975,649	2,939,599	3,540,597	5,356,547	5,875,910	6,856,034
(3) Estimated losses/LAE (self-insured layer)	4,652,110	5,115,958	4,875,463	5,328,069	4,653,605	8,315,736	6,624,680	10,982,637	10,862,995	13,266,303
(4) Paid (self-insured layer):										
End of Policy Year	542,356	1,775,929	764,959	1,410,969	1,100,092	1,563,931	1,575,043	2,370,166	2,058,220	2,429,048
One Year Later	2,110,822	2,749,747	2,477,847	2,276,585	2,595,110	2,167,189	2,957,968	5,258,188	3,472,169	
Two Years Later	4,082,744	4,350,387	3,035,124	3,344,951	3,143,554	3,576,294	4,307,675	7,917,875		
Three Years Later	4,803,408	5,274,556	4,829,229	3,806,600	3,799,826	5,362,374	5,667,702			
Four Years Later	5,511,904	5,810,080	5,395,478	4,564,597	4,374,238	6,886,558				
Five Years Later	6,098,179	5,938,373	5,676,432	5,197,762	4,777,159					
Six Years Later	6,091,281	6,005,872	6,020,883	6,078,888						
Seven Years Later	6,091,342	6,103,107	6,114,441							
Eight Years Later	6,091,342									
Nine Years Later	6,091,342									

(Continued)

COUNTY RISK SHARING AUTHORITY, INC.

REQUIRED SUPPLEMENTARY STATEMENT OF EARNED REVENUES, LOSSES, AND OTHER EXPENSES (NET OF REINSURANCE)

	April 30, 1998	April 30, 1999	April 30, 2000	April 30, 2001	April 30, 2002	April 30, 2003	April 30, 2004	April 30, 2005	April 30, 2006	April 30, 2007
(5) Re-estimated losses/LAE (self-insured layer):										
End of Policy Year	4,652,110	5,115,958	4,875,463	5,328,069	4,653,605	8,315,736	6,624,680	10,982,637	10,862,995	13,266,303
One Year Later	4,869,558	6,080,301	5,913,733	4,799,682	4,723,921	6,294,034	7,439,384	13,205,150	12,365,246	
Two Years Later	4,975,209	6,455,321	5,051,705	4,874,669	5,822,540	7,426,332	10,051,959	13,661,158		
Three Years Later	5,775,326	6,362,040	6,009,172	5,747,820	5,713,081	9,031,284	8,748,131			
Four Years Later	6,095,795	6,485,325	6,181,911	6,106,113	5,850,638	8,110,976				
Five Years Later	6,123,337	6,441,086	6,012,038	5,829,877	5,278,992					
Six Years Later	6,111,838	6,505,426	6,264,960	6,225,149						
Seven Years Later	6,091,342	6,748,991								
Eight Years Later	6,092,992	6,611,976								
Nine Years Later	6,093,043									
	<u>\$ 1,440,933</u>	<u>\$ 1,496,018</u>	<u>\$ 1,379,158</u>	<u>\$ 897,080</u>	<u>\$ 625,387</u>	<u>\$ (204,760)</u>	<u>\$ 2,123,451</u>	<u>\$ 2,678,521</u>	<u>\$ 1,502,251</u>	<u>\$</u>

(6) Increase (decrease) in estimate (self-insured layer)

(Concluded)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT 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, 2007, and have issued our report thereon dated July 20, 2007. 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 of America.

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 management in a separate letter dated July 20, 2007.

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

Deleato ; Touche LLP

July 20, 2007



Mary Taylor, CPA
Auditor of State

COUNTY RISK SHARING AUTHORITY, INC.

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
SEPTEMBER 20, 2007**