

COUNTY RISK SHARING AUTHORITY, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

APRIL 30, 2010 AND 2009



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the County Risk Sharing Authority, Inc., Franklin County, prepared by Blue & Co., LLC, for the audit period May 1, 2009 through April 30, 2010. 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

October 11, 2010

This Page is Intentionally Left Blank.

COUNTY RISK SHARING AUTHORITY, INC.

TABLE OF CONTENTS April 30, 2010 and 2009

	Page
Report of Independent Auditors	1
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	i-x
Financial Statements	
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Schedules	
Report of Independent Auditors on Other Financial Information	19
Required Supplementary Statement of Earned Revenues, Losses, and Other Expenses (Net of Reinsurance)	20
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	21



Blue & Co., LLC / 8800 Lyra Drive, Suite 450 / Columbus, OH 43240

main 614.885.BLUE (2583) fax 614.885.0580 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
County Risk Sharing Authority, Inc.
Columbus, Ohio

We have audited the accompanying statements of net assets of the County Risk Sharing Authority, Inc. as of April 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the County Risk Sharing Authority, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the County Risk Sharing Authority, Inc. as of April 30, 2009 were audited by other auditors whose report dated July 31, 2009, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the County Risk Sharing Authority, Inc. as of April 30, 2010 and the results of its operations, changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, on pages i through x, is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

County Risk Sharing Authority, Inc. has not presented supplementary claim information for 2000-2008 that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2010, on our consideration of the County Risk Sharing Authority, Inc.'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 considered in assessing the results of our audit.

Blue & Co., LLC

July 29, 2010

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Management's discussion and analysis of County Risk Sharing Authority, Inc. (CORSA) provides an overall review of CORSA's financial activities. The intent of this discussion and analysis is to provide further information on CORSA'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 CORSA's financial performance.

Overview of the 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.

At April 30, 2010, 2009, and 2008, sixty-two (62) Ohio counties and nineteen (19) county facilities were members of CORSA. The County Commissioners Association of Ohio (CCAO) and its affiliated entities were members of CORSA during the 2010-2009 fiscal year.

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 CORSA. The Statements of Net Assets, Statements of Revenue, Expenses, and Changes in Net Assets, and the Statements of Cash Flows provide an indication of CORSA's financial health. The Statements of Net Assets include CORSA'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.

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, and investments, and commitments to related parties.

In addition to the financial statements and accompanying notes, supplementary information is presented in a separate section illustrating CORSA's past three 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 three years.

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Financial Analysis of CORSA

Table 1 provides a summary of CORSA's Statement of Net Assets as of April 30, 2010 and 2009

Table 1:

	2010	2009	Increase (Decrease)
Assets			
Cash and cash equivalents	\$ 13,585,701	\$ 9,584,021	\$ 4,001,680
Receivables	1,495,422	1,412,443	82,979
Investments	57,074,521	45,567,722	11,506,799
Investment in LLC	956,763	977,722	(20,959)
CRL deposit	355,893	334,225	21,668
Property and equipment	110,591	131,641	(21,050)
Loans to CCAO Service Corporation	-	1,146,716	(1,146,716)
Total assets	<u>\$ 73,578,891</u>	<u>\$ 59,154,490</u>	<u>\$ 14,424,401</u>
Liabilities			
Reserves for unpaid losses and loss adjustment expenses	\$ 24,551,358	\$ 26,128,124	(1,576,766)
Deferred member contributions	10,390,759	6,712,042	3,678,717
Payable for investment purchases	880,370	682,620	197,750
Accrued expenses and other	151,636	80,226	71,410
Total liabilities	<u>\$ 35,974,123</u>	<u>\$ 33,603,012</u>	<u>\$ 2,371,111</u>
Net assets	<u>\$ 37,604,768</u>	<u>\$ 25,551,478</u>	<u>\$ 12,053,290</u>

Cash and cash equivalents were \$4,001,680 more on April 30, 2010 than on April 30, 2009. This increase is due in part to the fact that more premiums for the upcoming fiscal year were paid before April 30 in 2010 than were paid before April 30 in 2009.

Investments are shown at market value on the financial statements. This Investment Policy sets guidelines for the allocation of CORSA's invested funds. After a reserve is set aside in easily accessible money market accounts for the payment of claims, the rest of the available funds from premiums are allocated between fixed income securities and equity securities. CORSA's Investment Policy stipulates that 20% to 35% of CORSA's investments are to be allocated to equity securities.

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

CORSA's investments increased by \$11,506,799 between 2009 and 2010. A portion of this increase is due to the market values recovering from the prior year's unprecedented market decline. Most of the gains occurred in CORSA's equity accounts, which comprised 25-30% of CORSA's portfolio in 2009-2010. More details on CORSA's change in investment value are documented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets.

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 23 county association-sponsored risk sharing pools. As part of the contract with CRL, CORSA paid \$355,893 to CRL, and this deposit constitutes a partial ownership in the reinsurance company.

Also in May of 2008, CORSA entered into an agreement with the County Commissioners' Association of Ohio and the County Employee Benefits Consortium of Ohio to form a limited liability company, County Governance Facility, LLC ("LLC"). The LLC was formed as a partnership with the three entities as members. The main purpose of forming the company was to purchase a building for office space for the three members. CORSA contributed \$1,000,000 to the LLC's capital and has an equal interest in the LLC with the other members. CORSA accounts for the investment under the equity method, and the amount of the investment was \$956,763 at April 30, 2010.

Also listed on the 2009 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation (CCAO SC) in the amount of \$1,146,716. This was repaid in full during 2010. This related 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 \$14,424,401 from the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amount at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of open claims (IBNE), as well as an Incurred But Not Reported (IBNR) amount for property claims. Total reserves decreased from \$26,128,124 in 2009 to \$24,551,358 in 2010, a decrease of \$1,576,766. This decrease is primarily drive by a reduction in the actuary's estimates of the development of reserve for prior program years.

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid 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 \$6,712,042 in 2009 to \$10,390,759 in 2010. This increase in contributions is due to more members paying their premiums prior to April 30 in 2010 than in 2009.

The difference between assets and liabilities, or net assets, increased by \$12,053,290 from 2009 to 2010. The increase in net assets is driven by the increase in investment value and a decrease in loss and loss adjustment expense.

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

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Assets			
Cash and cash equivalents	\$ 9,584,021	\$ 13,890,793	\$ (4,306,772)
Receivables	1,412,443	1,693,438	(280,995)
Investments	45,567,722	57,856,383	(12,288,661)
Investment in LLC	977,722	-	977,722
CRL deposit	334,225	-	334,225
Property and equipment	131,641	184,336	(52,695)
Loans to CCAO Service Corporation	1,146,716	1,016,384	130,332
Total assets	<u>\$ 59,154,490</u>	<u>\$ 74,641,334</u>	<u>\$ (15,486,844)</u>
Liabilities			
Reserves for unpaid losses and loss adjustment expenses	\$ 26,128,124	\$ 28,221,939	(2,093,815)
Deferred member contributions	6,712,042	12,551,757	(5,839,715)
Payable for investment purchases	682,620	-	682,620
Accrued expenses and other	80,226	94,026	(13,800)
Total liabilities	<u>\$ 33,603,012</u>	<u>\$ 40,867,722</u>	<u>\$ (7,264,710)</u>
Net assets	<u>\$ 25,551,478</u>	<u>\$ 33,773,612</u>	<u>\$ (8,222,134)</u>

Cash and cash equivalents were \$4,306,772 less on April 30, 2009 than on April 30, 2008. This decrease is due to the fact that more premiums for the upcoming fiscal year were paid before April 30, 2008 than were paid before April 30, 2009. Correspondingly, deferred member contributions on April 30, 2009 were lower than on April 30, 2008 for the same reason.

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

CORSA's investments decreased by \$12,288,661 between 2008 and 2009. A portion of the decrease is due to withdrawals from investments exceeding the contributions to investments over the course of the year. Withdrawals are made from the investment accounts as needed to pay claims. Another reason for the decline in CORSA's investments is the unprecedented unrealized and realized losses experienced by CORSA during the year. Most of the losses occurred in CORSA's equity accounts, which comprised 25-30% of CORSA's portfolio in 2008-2009. More details on CORSA's change in investment value are documented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets.

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 22 county association-sponsored risk sharing pools. As part of the contract with CRL, CORSA paid \$334,225 to CRL, and this deposit constitutes a partial ownership in the reinsurance company at April 30, 2009.

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

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

CORSA's assets in total decreased by \$15,486,844 from the previous year.

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

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions decreased from \$12,551,757 in 2008 to \$6,712,042 in 2009.

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, 2010 and 2009. More detailed information is available in the accompanying basic financial statements.

	2010	2009	Increase (Decrease)
Operating revenues			-
Member contributions (less commercial insurance)	\$ 20,392,867	\$ 19,942,928	449,939
Net investment income	8,576,576	(6,584,192)	15,160,768
Other	12,738	42,655	(29,917)
Total income	<u>28,982,181</u>	<u>13,401,391</u>	<u>15,580,790</u>
Operating expenses			
Loss and loss adjustment expenses	14,413,082	15,856,785	(1,443,703)
Benefit for insured events of prior years	(4,662,734)	(933,954)	(3,728,780)
Marketing, administrative, and other	7,178,543	6,700,694	477,849
Total expenses	<u>16,928,891</u>	<u>21,623,525</u>	<u>(4,694,634)</u>
Change in net assets	12,053,290	(8,222,134)	<u>\$ 20,275,424</u>
Net assets at beginning of period	<u>25,551,478</u>	<u>33,773,612</u>	
Net assets at end of period	<u>\$ 37,604,768</u>	<u>\$ 25,551,478</u>	

Member contributions earned increased from \$19,942,928 in 2009 to \$20,392,867 in 2010. This increase is attributed mainly to an increase in reinsurance cost which resulted from higher property values and members increasing their liability limits.

The other part of the CORSA's income is investment income. Investment income earned by CORSA, before realized and unrealized gains and losses, increased by \$330,053 from 2009 to 2010. With more money in the investment accounts, there was more money on which to earn interest. Furthermore, there were \$6,841,922 in unrealized gains due to the increase in the value of equities, and \$376,108 in realized losses, again mostly in equities. These factors resulted in an \$15.2 million increase in net investment income from the previous year.

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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

The benefit for insured events of prior years represents the changes in the amounts paid for claims and costs of the legal representation of members and reserved for all programs years prior to the current program year. The expenses as of April 30, 2010 for paid and reserved claims for each year prior to April 30, 2010 were compared to the same expenses as of April 30, 2009. The benefit represents a total of the changes of each program year. This year, there was a benefit attributable to prior years, a decrease in the estimated ultimate losses of previous years. The decrease is due to better than expected experience in previous years' claims, especially in 2007-2008 and 2008-2009.

Due mainly to a large net investment gain, CORSA realized an overall net gain of \$12,053,290. The net gain included a \$3,463,976 operating gain and a \$8,589,314 non-operating (investment) gain. CORSA's net assets, also known as member equity, were \$37,604,768 as of April 30, 2010.

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

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

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Member contributions earned increased from \$18,129,918 in 2008 to \$19,942,928 in 2009. The increase is attributed mainly to an increase in reinsurance and loss fund contributions as a result of increases in program exposure.

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

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

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

Included in the marketing, administrative and other expenses for both 2008-2009 and 2009-2010 were distributions to members of \$2,400,000 and \$2,938,117, respectively. The distributions were made at renewal in the form of credits to members contributions.

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

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Financial Analysis – Statement of Cash Flows

This statement reviews how CORSA's cash balance changed during the fiscal year. It is divided into three different sections, each explains where CORSA provided or used cash during the year. These sections relate to CORSA's operations, investing activities and capital and related financing activities. This statement provides detail regarding the increases and decreases in CORSA's cash position during the year.

The net cash generated from operating activities was (\$9,728,298) in 2009 compared to \$5,678,934 in 2010. This increase is mainly due to a significant decrease in cash paid for claims in the 2009-2010 year and the timing of premiums received for the 2008-2009 and 2009-2010 years. Net cash from operating activities may fluctuate between the years as claim flows and the timing of receipts vary. CORSA maintains a healthy cash balance to cover claims and perpetuate investment income.

Cash generated from capital and financing activities changed from (\$23,574) in 2009 to (\$49,526) in 2010. Cash generated from investment activities changed from \$5,445,100 in 2009 to (\$1,627,728) in 2010.

Trends and Risks

The CORSA Board and staff initiated a review of the investment approaches and strategy during the 2009-2010 program year. The decision was made to incorporate objectives into investment strategies that were more similar to insurance companies and other risk sharing organizations. A Request for Proposals (RFP) for investment advisor services was done, and the Board selected Strategic Asset Alliance (SAA) as the new investment advisor, effective in March, 2010. SAA provides investment advisory services only to insurance companies and risk sharing pools similar to CORSA. In addition, a separate RFP was done for asset custodian services. The previous investment advisor also provided asset custodian services. The decision was made to utilize an independent firm for custodian services. Wells Fargo began providing asset custodian services in June, 2010. The target for the percent of the portfolio in equities was reduced to 20%

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. The current competitive property and casualty insurance market also presents challenges for program growth. However, CORSA has a high level of member support and loyalty, as members place a high value on the services provided by CORSA, and its track record of stable and competitive pricing. In its 23 year history, only one county has left the program, and that county has since rejoined the program

**COUNTY RISK SHARING AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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 request for additional financial information should be addressed to David Brooks, CORSA Managing Director, County Risk Sharing Authority, Inc., 209 E. State St., Columbus, Ohio 43215.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF NET ASSETS APRIL 30, 2010 AND 2009

	ASSETS	
	2010	2009
Current assets		
Cash and cash equivalents	\$ 13,585,701	\$ 9,584,021
Loans to CCAO Service Corporation	-	1,146,716
Receivables:		
Member deductibles receivable	1,193,316	1,145,373
Aggregate reinsurance receivable	11,720	30,684
Accrued interest receivable	290,386	236,386
Total current assets	15,081,123	12,143,180
Investments	57,074,521	45,567,722
Investment in LLC	956,763	977,722
Property and equipment		
Furniture and fixtures	79,117	75,507
Computer and equipment	40,232	40,232
Claims system	105,119	104,412
Vehicles	127,180	105,546
Total property and equipment	351,648	325,697
Accumulated depreciation	(241,057)	(194,056)
Property and equipment, net	110,591	131,641
CRL deposit	355,893	334,225
Total	\$ 73,578,891	\$ 59,154,490
LIABILITIES AND NET ASSETS		
Current liabilities		
Reserves for unpaid losses and loss adjustment expenses	\$ 24,551,358	\$ 26,128,124
Deferred member contributions	10,390,759	6,712,042
Payable for investment purchases	880,370	682,620
Accrued expenses and other	151,636	80,226
Total liabilities	35,974,123	33,603,012
Net assets		
Net assets - unrestricted	37,494,177	25,419,837
Net assets - invested in capital assets net of related debt	110,591	131,641
Total net assets	37,604,768	25,551,478
Total liabilities and net assets	\$ 73,578,891	\$ 59,154,490

See accompanying notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

	2010	2009
Operating revenues		
Member contributions	\$ 23,506,867	\$ 22,798,191
Less commercial insurance coverages	3,114,000	2,855,263
Total operating revenues	20,392,867	19,942,928
Operating expenses		
Loss and loss adjustment expenses	14,413,082	15,856,785
Benefit for insured events of prior years	(4,662,734)	(933,954)
Brokerage fees	300,000	350,000
Agent fees	1,347,143	1,305,904
Depreciation	70,576	74,604
Distribution to members	2,938,117	2,400,000
Special program expenses	498,071	446,977
General and administrative expenses	2,024,636	2,123,209
Total expenses	16,928,891	21,623,525
Operating gain/(loss)	3,463,976	(1,680,597)
Non-operating (expenses) income		
Investment income	2,504,123	2,174,070
Unrealized gain/(loss) on investments	6,841,922	(4,032,671)
Loss on sale of investments	(376,108)	(4,346,363)
Other income	33,697	64,933
Loss on investment in LLC	(20,959)	(22,278)
Investment fees	(393,361)	(379,228)
Non-operating (expense) income - net	8,589,314	(6,541,537)
Change in net assets	12,053,290	(8,222,134)
Net assets at beginning of period	25,551,478	33,773,612
Net assets at end of period	\$ 37,604,768	\$ 25,551,478

See accompanying notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

	2010	2009
Operating activities		
Cash received from members and other parties	\$ 27,156,605	\$ 16,783,501
Cash paid for commercial insurance	(3,114,000)	(2,855,263)
Cash paid for claims	(11,327,114)	(17,016,646)
Cash paid for other expenses	(7,036,557)	(6,639,890)
Net cash flows from operating activities	5,678,934	(9,728,298)
Capital and related financing activities		
Purchase of capital assets	(49,526)	(23,574)
Net cash flows from capital and related financing activities	(49,526)	(23,574)
Investing activities		
Cash paid for deposit CRL	(21,668)	(334,225)
Cash paid for investment in LLC	-	(1,000,000)
Change in investments	(11,506,799)	12,288,661
Interest received on investment and cash equivalents	8,754,023	(5,379,004)
Change in loans to related parties	1,146,716	(130,332)
	(1,627,728)	5,445,100
Net change in cash and cash equivalents	4,001,680	(4,306,772)
Cash and cash equivalents - beginning of period	9,584,021	13,890,793
Cash and cash equivalents - end of period	\$ 13,585,701	\$ 9,584,021
Reconciliation of change in net assets to net cash flows from operating activities:		
Operating gain/(loss)	\$ 3,463,976	\$ (1,680,597)
Adjustments to reconcile to operating gain/(loss) net cash from operating activities:		
Depreciation	70,576	74,604
Other	-	2,303
Member deductibles receivable	(47,943)	(157,121)
Aggregate reinsurance receivable	18,964	(20,157)
Unpaid losses and loss adjustment expenses	(1,576,766)	(2,093,815)
Deferred member contributions	3,678,717	(5,839,715)
Accrued expenses and other	71,410	(13,800)
Net cash from operating activities	\$ 5,678,934	\$ (9,728,298)

See accompanying notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

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, 2010, sixty-two (62) Ohio counties and nineteen (19) county facilities were members of CORSA. The CCAO and its related entities were also members of CORSA during the 2009 and 2010 fiscal years.

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

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

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

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

There were 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, 2010 and 2009, the Bond Fund had assets of approximately \$0 and \$1,338,000, respectively. Since CORSA's adjustors have indicated that there are no open claims that could penetrate the Bond Fund, and since the actuary has removed IBNR, the decision was made to return all bond equity to bond participants over a four year period. All excess funds were distributed as of April 30, 2010.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

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 coverage provided by CORSA are the responsibility of the individual member counties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

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. Based on historical factors and CORSA's allowance experience, no allowance for uncollectible receivables have been reserved.

Reinsurance Receivable

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

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

Investments

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

Property and Equipment

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

Member Contributions

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

Unpaid Losses and Loss Adjustment Expense

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

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

Net Assets

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

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

Restricted --- This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

As of April 30, 2010 and 2009, CORSA does not have any "restricted" net assets. The CORSA Board of Directors may authorize the distribution of 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.

Risk Management

CORSA is exposed to various risks of loss incurred by members related to property loss, torts, and errors and omissions, up the limit of its self insured retention. CORSA is also exposed to the limit of liability for property and third party liability provided to members, in the unlikely event that CORSA's reinsurers and excess insurance carriers would be unable to fulfill their financial obligations to CORSA.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year presentation. There was no change in the change in net assets as a result of these reclassifications.

Subsequent Events

CORSA has evaluated events or transactions occurring subsequent to the statement of net assets date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is July 29, 2010.

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 assets allocation guidelines for each of the two primary investment pools, the Bond Fund and the Claims Fund. According to the Policy, investment management of the assets in the Bond Fund are to be 100% fixed income and money market securities, with at least 60% of the fixed income in government securities and the rest in investment grade corporate bonds. Investment management of the assets in the Claims Fund are targeted for 70% in fixed income securities and rest in large cap equities, after a cash reserve is set aside for the immediate payment of claims. Since the Bond Fund was fully distributed and no longer existed as of May 2009, approval was given in November of 2009 by the CORSA Board to remove all reference to the Bond Fund in the Investment Policy.

Cash and cash equivalents

To maintain the ability to meet cash requirements for the payment of claims, the IPS stipulates that a minimum of \$1,000,000 be maintained in cash or cash equivalents, including money market funds. Cash and cash equivalents include bank deposits in checking accounts and interest-bearing money market accounts, as well as funds held in highly liquid securities in the investment pools. At April 30, 2010, the carrying amount of CORSA's cash and cash equivalents was \$13,585,701. Of this amount, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$100,000 was insured by Securities Investor Protection Corporation (SIPC). CORSA maintains balances that are in excess of those insured by the FDIC and SIPC. However, to date no losses have been experienced.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

Investments

Investments held by CORSA at April 30, 2010 and 2009, are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2010, the carrying amount of CORSA's investments was \$57,074,521. Of this amount, \$500,000, including \$100,000 noted above for cash balances was insured by SIPC. The CORSA Investment Policy stipulates that Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better unless the Board makes a specific exception.

The following table presents CORSA's investment holdings as of April 30, 2010.

Investment Type	<u>Fair Value</u>	<u>Not rated</u>	<u>AAA</u>	<u>AA, A and BBB</u>
US Treasury Bonds	\$ 3,383,500	\$ -	\$ 3,383,500	\$ -
US Agency Bonds	3,108,988	-	3,108,988	-
Strips	996,880	-	996,880	-
Mortgage-backed bonds	22,960,254	-	22,960,254	-
Corporate bonds	8,064,643	-	-	8,064,643
International bonds	1,053,329	-	-	1,053,329
Municipal bonds	836,034	-	-	836,034
Common and preferred stocks	16,670,893	16,670,893	-	-
Total Investments	<u>\$ 57,074,521</u>	<u>\$ 16,670,893</u>	<u>\$ 30,449,622</u>	<u>\$ 9,954,006</u>

The following table presents CORSA's investment holdings as of April 30, 2009.

Investment Type	<u>Fair Value</u>	<u>Not rated</u>	<u>AAA</u>	<u>AA, A and BBB</u>
US Treasury Bonds	\$ 3,478,345	\$ -	\$ 3,478,345	\$ -
US Agency Bonds	2,041,697	-	2,041,697	-
Strips	489,040	-	489,040	-
Mortgage-backed bonds	20,016,542	-	20,016,542	-
Corporate bonds	6,699,103	-	252,813	6,446,290
International bonds	707,740	-	-	707,740
Municipal bonds	379,349	-	-	379,349
Common and preferred stocks	11,755,906	11,755,906	-	-
Total Investments	<u>\$ 45,567,722</u>	<u>\$ 11,755,906</u>	<u>\$ 26,278,437</u>	<u>\$ 7,533,379</u>

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

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

The following table presents CORSA's bond investments as of April 30, 2010 by length of maturity.

Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
US Treasury Bonds	\$ 3,383,500	\$ -	\$ 570,509	\$ 1,293,392	\$ 1,519,599
US Agency Bonds	3,108,988	-	1,065,470	1,288,360	755,158
Strips	996,880	-	-	-	996,880
Mortgage-backed bonds	22,960,254	-	971,159	2,855,498	19,133,597
Corporate bonds	8,064,643	50,038	3,399,688	4,003,275	611,642
International bonds	1,053,329	14,567	427,830	610,932	-
Municipal bonds	836,034	-	-	124,900	711,134
Total bonds	\$ 40,403,628	\$ 64,605	\$ 6,434,656	\$ 10,176,357	\$ 23,728,010

The following table presents CORSA's bond investments as of April 30, 2009, by length of maturity.

Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
US Treasury Bonds	\$ 3,478,345	\$ 37,161	\$ 1,235,669	\$ 1,039,872	\$ 1,165,643
US Agency Bonds	2,041,697	96,852	135,816	928,654	880,375
Strips	489,040	-	-	-	489,040
Mortgage-backed bonds	20,016,542	-	1,657,136	1,434,718	16,924,688
Corporate bonds	6,699,103	33,295	2,792,542	2,862,766	1,010,500
International bonds	707,740	15,070	347,526	345,144	-
Municipal bonds	379,349	-	-	-	379,349
Total bonds	\$ 33,811,816	\$ 182,378	\$ 6,168,689	\$ 6,611,154	\$ 20,849,595

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

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Major classes of assets and liabilities that are measured at fair value are categorized to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 inputs are derived from quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis as of April 30, 2010 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Common and preferred stocks	\$ 16,670,893	\$ -	\$ -	\$ 16,670,893
Mortgage-backed bonds	-	22,960,254	-	22,960,254
US Treasury Bonds	-	3,383,500	-	3,383,500
US Agency Bonds	-	3,108,988	-	3,108,988
Strips	-	996,880	-	996,880
Municipal bonds	-	836,034	-	836,034
International bonds	-	1,053,329	-	1,053,329
Corporate bonds	-	8,064,643	-	8,064,643
Total assets	<u>\$ 16,670,893</u>	<u>\$ 40,403,628</u>	<u>\$ -</u>	<u>\$ 57,074,521</u>

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

Assets and liabilities measured at fair value on a recurring bases as of April 30, 2009 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Common and preferred stocks	\$ 11,755,906	\$ -	\$ -	\$ 11,755,906
Mortgage-backed bonds	-	20,016,542	-	20,016,542
US Treasury Bonds	-	3,478,345	-	3,478,345
US Agency Bonds	-	2,041,697	-	2,041,697
Strips	-	489,040	-	489,040
Municipal bonds	-	379,349	-	379,349
International bonds	-	707,740	-	707,740
Corporate bonds	-	6,699,103	-	6,699,103
Total assets	\$ 11,755,906	\$ 33,811,816	\$ -	\$ 45,567,722

5. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The changes in the reserves for unpaid losses and loss adjustment expenses for the years ended April 30, 2010 and 2009, are as follows:

	2010	2009
Unpaid losses and loss adjustment expenses, beginning of the fiscal year	\$ 26,128,124	\$ 28,221,939
Incurring losses and loss adjustment expenses:		
Provision of insured events of the current fiscal year	14,413,082	15,856,785
Benefit for insured events of prior fiscal years	(4,662,734)	(933,954)
Total incurred losses and loss adjustment expenses	9,750,348	14,922,831
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	3,746,175	4,949,790
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	7,580,939	12,066,856
Total payments	11,327,114	17,016,646
Total unpaid losses and loss adjustment expenses, end of the fiscal year	\$ 24,551,358	\$ 26,128,124

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

6. SELF-INSURED RETENTION AND REINSURANCE

CORSA retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance and reinsurance contracts. CORSA's per-occurrence retention limit for all liability coverage was \$1,000,000 for fiscal years ended in 2010 and 2009. Property coverage also had a per-occurrence retention limit of \$1,000,000 for fiscal years ended in 2010 and 2009, with the exception of equipment breakdown for which there was a \$50,000 per occurrence retention limit.

CORSA maintains excess insurance and reinsurance contracts with insurance carriers who provide various limits of coverage over CORSA's self-insured retention limits. Each member chooses its limits of liability coverage, with limits varying between \$1,000,000 and \$9,000,000. Liability coverage provided by CORSA is on a "claims-made" basis and property coverage is on an "occurrence" basis.

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 23 county association-sponsored risk sharing pools.

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

In the event that a loss should exceed the amount of coverage provided by CORSA, then the payment of any loss in excess of the limit provided by CORSA is the obligation of the individual member or members against which the claims were made. In the unlikely event that all or any of the insurance companies are unable to meet their obligations under the excess insurance and reinsurance contracts, CORSA and its members would be responsible for such defaulted amounts. Premiums ceded to reinsurers were \$3,114,000 and \$2,855,263 for fiscal years 2010 and 2009, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$696,434 and \$1,730,655 for fiscal years 2010 and 2009, respectively.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

7. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2010, was as follows:

	April 30, 2009	Additions	Deductions	April 30, 2010
Capital assets being depreciated:				
Furniture and fixtures	\$ 75,507	\$ 3,611	\$ -	\$ 79,118
Computer and equipment	40,232	-	-	40,232
Claims systems	104,412	24,281	23,574	105,119
Vehicles	105,546	21,634	-	127,180
	<u>325,697</u>	<u>49,526</u>	<u>23,574</u>	<u>351,649</u>
Total property and equipment				
Less accumulated depreciation:				
Furniture and fixtures	61,649	6,735	-	68,384
Computer and equipment	35,007	16,285	-	51,292
Claims systems	51,085	26,080	23,574	53,591
Vehicles	46,315	21,476	-	67,791
	<u>194,056</u>	<u>70,576</u>	<u>23,574</u>	<u>241,058</u>
Total accumulated depreciation				
Total capital assets being depreciated - net	<u>\$ 131,641</u>	<u>\$ (21,050)</u>	<u>\$ -</u>	<u>\$ 110,591</u>

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

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

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

8. TAX STATUS

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

9. RETIREMENT BENEFITS

The CCAO maintains a defined contribution plan covering employees who meet certain age and service requirements. Eligible CORSA employees are covered under this plan. The amount contributed to the plan by CCAO is not to exceed 10 percent of each eligible employee's annual qualified compensation. Contributions to the plan are made at the discretion of the Board of Directors of CCAO. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. CORSA has no further retirement benefit obligation. Expense of \$79,113 and \$81,974 was incurred by CORSA for fiscal years ended April 30, 2010 and 2009, respectively.

CCAO also provides postemployment medical and life insurance benefits to age and service retirees with qualifying service credit and to surviving spouses of such retirees. These benefits are funded by yearly contributions from CCAO, as determined by the CCAO Board. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. CORSA has no further postemployment insurance benefit obligation. Expense of \$23,358 and \$29,981 was incurred by CORSA for fiscal years ended April 30, 2010 and 2009, respectively.

10. RELATED PARTY

During the fiscal years 2010 and 2009, there was a line of credit available to the CCAO Service Corporation (CCAO SC) from CORSA in the amount of \$1,000,000. CCAO SC paid interest of 7% to CORSA on any unpaid principal balance on a monthly basis. Interest earned by CORSA on this line of credit during fiscal years 2010 and 2009 was \$30,683 and \$47,658 respectively. The unpaid balance on the line of credit as of April 30, 2010 and 2009 was \$0 and \$1,000,000, respectively.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2010 AND 2009

In May of 2006, another \$1,000,000 line of credit was extended by CORSA to the CCAO SC. At April 30, 2010 and 2009 there was \$0 and \$146,716, respectively, due under this line of credit. Interest earned by CORSA on this line of credit during the fiscal years 2010 and 2009 was \$3,014 and \$17,126, respectively.

During the 2010 and 2009 fiscal years, CORSA paid \$1,529,797 and \$1,615,602, respectively, to CCAO for management, legislative, and administrative services. CORSA's accounts payable to CCAO as of April 30, 2010 and 2009 was \$72,077 and \$44,928, respectively.

11. JOINT VENTURE

In May of 2008, CORSA entered into a joint venture with the County Commissioners' Association of Ohio and the County Employee Benefits Consortium of Ohio to form County Governance Facility, LLC ("LLC"). The LLC was formed as a partnership with the three entities as members. The main purpose of this joint venture was to purchase a building for office space for the three members. CORSA contributed \$1,000,000 to fund its 33.3% portion of the joint venture. CORSA accounts for the investment under the equity method. CORSA's portion of the losses were \$20,959 and \$22,278 as of April 30, 2010 and 2009.

12. COMMITMENTS

CORSA, CEBCO, and CCAO committed to pay \$300,000 to County Governance Facility LLC, for maintenance, repairs, and up-keeping relating to their property during 2011. CORSA's portion of this commitment is \$64,354.

SUPPLEMENTARY INFORMATION



Blue & Co., LLC / 8800 Lyra Drive, Suite 450 / Columbus, OH 43240
main 614.885.BLUE (2583) fax 614.885.0580 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON OTHER FINANCIAL INFORMATION

Board of Directors
COUNTY RISK SHARING AUTHORITY, INC.
Columbus, Ohio

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blue & Co., LLC

July 29, 2010

COUNTY RISK SHARING AUTHORITY, INC.

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

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

	April 30, 2008	April 30, 2009	April 30, 2010
(1) Net earned required contributions and investments and other revenues	\$ 20,823,812	\$ 13,802,897	\$ 29,396,497
(2) Unallocated expenses	7,319,657	7,102,200	7,592,856
(3) Estimated losses/LAE	16,595,959	15,856,785	14,413,083
(4) Paid:			
End of policy year	4,366,627	4,949,790	3,746,175
One year later	9,780,937	7,808,885	-
Two years later	11,054,653	-	-
(5) Re-estimated losses/LAE			
End of policy year	16,595,959	15,856,785	14,413,083
One year later	16,501,112	14,529,964	-
Two years later	14,518,167		
(6) Decrease in estimate	\$ (1,982,945)	\$ (1,326,821)	\$ -

See report of independent auditors on other financial information on page 19.



Blue & Co., LLC / 8800 Lyra Drive, Suite 450 / Columbus, OH 43240

main 614.885.BLUE (2583) fax 614.885.0580 email blue@blueandco.com

**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
County Risk Sharing Authority, Inc.
Columbus, Ohio

We have audited the financial statements County Risk Sharing Authority, Inc. (CORSA) as of and for the year ended April 30, 2010 and have issued our report thereon dated July 29, 2010. 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.

Internal Control Over Financial Reporting

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

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 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.

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 the internal control over financial reporting that might be deficiencies, 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*.

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.

Blue & Co., LLC

July 29, 2010

This Page is Intentionally Left Blank.



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
NOVEMBER 4, 2010**