

COUNTY RISK SHARING AUTHORITY, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTAL SCHEDULES

APRIL 30, 2012 AND 2011



Dave Yost • Auditor of State

Board of Directors
County Risk Sharing Authority, Inc.
209 East State Street
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, 2011 through April 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 15, 2012

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COUNTY RISK SHARING AUTHORITY, INC.

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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, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the County Risk Sharing Authority, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through x and statement of earned revenues, losses, and other expenses (net of reinsurance) on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the supplementary claim information for years 2002 through 2007 that the GASB require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the GASB who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, 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.

Bene G., LLC

July 25, 2012

**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 for the fiscal years ended April 30, 2012, 2011 and 2010. 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, 2012, 2011 and 2010, sixty-three (63) Ohio counties and eighteen (18) county facilities were members of CORSA. In addition, the County Commissioners' Association of Ohio (CCAO) and its affiliated entities were members of CORSA during the 2012-2011 fiscal years.

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 five 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 five years.

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

Financial Analysis of CORSA – Statements of Net Assets

Table 1 provides a summary of CORSA's Statements of Net Assets as of April 30, 2012 and 2011.

Table 1:

| | 2012 | 2011 | Increase (Decrease) |
|---|----------------------|----------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 16,006,835 | \$ 14,307,293 | \$ 1,699,542 |
| Receivables | 883,737 | 942,905 | (59,168) |
| Investments | 74,345,613 | 68,061,583 | 6,284,030 |
| Investment in LLC | 905,176 | 931,402 | (26,226) |
| CRL deposit | 383,203 | 383,203 | - |
| Property and equipment | 92,056 | 43,816 | 48,240 |
| Total assets | \$ 92,616,620 | \$ 84,670,202 | \$ 7,946,418 |
| Liabilities | | | |
| Reserves for unpaid losses and loss adjustment expenses | \$ 22,450,000 | \$ 22,080,000 | 370,000 |
| Deferred member contributions | 12,008,949 | 12,225,083 | (216,134) |
| Accrued expenses and other | 260,299 | 100,065 | 160,234 |
| Total liabilities | \$ 34,719,248 | \$ 34,405,148 | \$ 314,100 |
| Net assets | \$ 57,897,372 | \$ 50,265,054 | \$ 7,632,318 |

Cash and cash equivalents were \$1,699,542 more on April 30, 2012 than on April 30, 2011. This increase is due in part to some maturities of investments that were not used to pay claims by April 30.

Investments are shown at market value on the financial statements. A Board-approved Investment Policy sets guidelines for the allocation of CORSA's invested funds. After a reserve is set aside in easily accessible checking and money market accounts for the payment of claims, the rest of the available funds from premiums are allocated among various types of fixed income securities and equity securities. CORSA's Investment Policy stipulates that a target of 20% of CORSA's investments is to be allocated to "risk asset securities", including U.S. and emerging market equity securities and U.S. high yield bonds, not to exceed 50% of CORSA's net assets. The rest of the portfolio is to be invested in investment grade fixed income securities.

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

CORSA's investments increased by \$6,284,030 between 2011 and 2012. CORSA invested a large part of the 2011-2012 premiums for payment of that year's claims to be made in future years. Also, there was a positive net gain in the value of the investments from interest income and realized and unrealized gains. 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 workers' compensation reinsurance to 23 county association-sponsored risk sharing pools. Each CRL member is required to maintain an equity balance which is proportional to its liability premium. As of April 30, 2012, CORSA's CRL equity balance was \$383,203.

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 \$905,176 at April 30, 2012 and \$931,402 at April 30, 2011.

CORSA's assets in total increased by \$7,946,418 from the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amounts at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of claims. Total reserves increased from \$22,080,000 in 2011 to \$22,450,000 in 2012, an increase of \$370,000.

**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 decreased from \$12,225,083 in 2011 to \$12,008,949 in 2012. This decrease in liabilities is due to less members paying their premiums prior to April 30 in 2012 than in 2011.

The difference between assets and liabilities, or net assets, increased by \$7,632,318 from 2011 to 2012. The increase in net assets is driven by the increase in investment value and only a minimal increase in liabilities.

The following table presents the summarized financial position as of April 30, 2011 and 2010. More detailed information is available in the accompanying basic financial statement.

| | 2011 | 2010 | Increase (Decrease) |
|---|----------------------|----------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 14,307,293 | \$ 13,585,701 | \$ 721,592 |
| Receivables | 942,905 | 1,495,422 | (552,517) |
| Investments | 68,061,583 | 57,074,521 | 10,987,062 |
| Investment in LLC | 931,402 | 956,763 | (25,361) |
| CRL deposit | 383,203 | 355,893 | 27,310 |
| Property and equipment | 43,816 | 110,591 | (66,775) |
| Total assets | <u>\$ 84,670,202</u> | <u>\$ 73,578,891</u> | <u>\$ 11,091,311</u> |
| Liabilities | | | |
| Reserves for unpaid losses and loss adjustment expenses | \$ 22,080,000 | \$ 24,551,358 | (2,471,358) |
| Deferred member contributions | 12,225,083 | 10,390,759 | 1,834,324 |
| Payable for investment purchases | - | 880,370 | (880,370) |
| Accrued expenses and other | 100,065 | 151,636 | (51,571) |
| Total liabilities | <u>\$ 34,405,148</u> | <u>\$ 35,974,123</u> | <u>\$ (1,568,975)</u> |
| Net assets | <u>\$ 50,265,054</u> | <u>\$ 37,604,768</u> | <u>\$ 12,660,286</u> |

Cash and cash equivalents were \$721,592 higher on April 30, 2011 than on April 30, 2010. This increase is due to the fact that more premiums for the upcoming fiscal year were paid before April 30, 2011 than were paid before April 30, 2010. Correspondingly, deferred member contributions on April 30, 2011 were higher than on April 30, 2010 for the same reason.

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

CORSA's investments increased by \$10,987,062 between 2010 and 2011. A portion of this increase is due to the market values continued rebound from the 2008 unprecedented market decline coupled with the movement of more capital into investment accounts for the year ended 2011. 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.

CORSA's assets in total increased by \$11,091,311 from the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amounts at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of open claims, as well as an Incurred But Not Reported amount for property claims. Total reserves decreased from \$24,551,358 in 2010 to \$22,080,000 in 2011, a decrease of \$2,471,358. Reasons for this decrease include the actuaries decrease in their estimation of the ultimate incurred losses for previous years, and the payment of several large claims from previous years' losses.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions increased from \$10,390,759 in 2010 to \$12,225,083 in 2011.

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

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, 2012 and 2011. More detailed information is available in the accompanying basic financial statements.

| | 2012 | 2011 | Increase (Decrease) |
|--|----------------------|----------------------|------------------------|
| Operating revenues | | | |
| Member contributions (less commercial insurance) | \$ 20,407,140 | \$ 20,428,555 | \$ (21,415) |
| Net investment income | 4,091,857 | 5,611,295 | (1,519,438) |
| Other | (24,335) | (25,036) | 701 |
| Total income | <u>24,474,662</u> | <u>26,014,814</u> | <u>(1,540,152)</u> |
| Operating expenses | | | |
| Loss and loss adjustment expenses | 12,480,242 | 13,217,939 | (737,697) |
| Benefit for insured events of prior years | (2,172,924) | (5,997,993) | 3,825,069 |
| Marketing, administrative, and other | 6,535,026 | 6,134,582 | 400,444 |
| Total expenses | <u>16,842,344</u> | <u>13,354,528</u> | <u>3,487,816</u> |
| Change in net assets | 7,632,318 | 12,660,286 | <u>\$ (5,027,968)</u> |
| Net assets at beginning of period | <u>50,265,054</u> | <u>37,604,768</u> | |
| Net assets at end of period | <u>\$ 57,897,372</u> | <u>\$ 50,265,054</u> | |

Total net operating revenues decreased from \$20,428,555 in 2011 to \$20,407,140 in 2012. Members' premiums decreased by 1% offset by a decrease in commercial insurance by an almost equal dollar amount, producing an almost flat net result.

The other part of the CORSA's income is investment income. Investment income earned by CORSA, before realized and unrealized gains and losses, increased \$613,935 from 2011 to 2012. Furthermore, there were \$910,722 in unrealized gains due to the increase in the value of fixed income securities, and \$805,575 in realized gains, again mostly in fixed income securities.

**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 decreased from those of the previous year.

The benefit for insured events of prior years represents the changes in the amounts reserved for all program years prior to the current program year. The expenses as of April 30, 2012 for paid and reserved claims for each year prior to April 30, 2012 were compared to the same expenses as of April 30, 2011. 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 2009-2010.

Due to an operating gain and a large net investment gain, CORSA realized an overall net gain of \$7,632,318. The net gain included a \$3,564,796 operating gain and a \$4,067,522 non-operating (investment) gain. CORSA's net assets, also known as member equity, were \$57,897,372 as of April 30, 2012.

The following table presents the summarized results of operations for the fiscal years ended April 30, 2011 and 2010. More detailed information is available in the accompanying basic financial statements.

| | 2011 | 2010 | Increase (Decrease) |
|--|---------------|---------------|------------------------|
| Operating revenues | | | |
| Member contributions (less commercial insurance) | \$ 20,428,555 | \$ 20,392,867 | \$ 35,688 |
| Net investment income | 5,611,295 | 8,576,576 | (2,965,281) |
| Other | (25,036) | 12,738 | (37,774) |
| Total income | 26,014,814 | 28,982,181 | (2,967,367) |
| Operating expenses | | | |
| Loss and loss adjustment expenses | 13,217,939 | 14,413,082 | (1,195,143) |
| Benefit for insured events of prior years | (5,997,993) | (4,662,734) | (1,335,259) |
| Marketing, administrative, and other | 6,134,582 | 7,178,543 | (1,043,961) |
| Total expenses | 13,354,528 | 16,928,891 | (3,574,363) |
| Change in net assets | 12,660,286 | 12,053,290 | \$ 606,996 |
| Net assets at beginning of period | 37,604,768 | 25,551,478 | |
| Net assets at end of period | \$ 50,265,054 | \$ 37,604,768 | |

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

Member contributions earned increased from \$20,392,867 in 2010 to \$20,428,555 in 2011. This increase is attributed mainly to an increase in members premiums offset by an increase in excess coverage expense.

The other part of CORSA's income is investment income. Investment income earned by CORSA before unrealized gains and losses, increased by \$573,750 from 2010 to 2011. With less money in the investment accounts due to withdrawals, there was less money on which to earn interest. Furthermore, there were \$2,004,986 in unrealized gains due to the increase in the value of equities, and (\$1,797,092) in realized gains, again mostly in equities.

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 lower 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, 2011 for paid and reserved claims for each year prior to April 30, 2011 were compared to the same expenses as of April 30, 2010. 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.

Due mainly to a large net investment gain, CORSA realized an overall net gain of \$12,660,286. The net gain included a \$7,074,027 operating gain and a \$5,586,259 non-operating (investment) gain. CORSA's net assets, also known as member equity, were \$50,265,054 as of April 30, 2011.

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

Financial Analysis – Statements 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 \$7,070,605 in 2011 compared to \$4,009,682 in 2012. This decrease is mainly due to a decrease in cash received from members and other parties during the time period, in addition to an increase in paid for claims in the 2011-2012 year and in other expenses. 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 \$0 in 2011 to (\$81,514). Net cash consumed from investment activities changed from (\$6,349,013) in 2011 to (\$2,228,626) in 2012.

The net cash generated from operating activities was \$5,678,934 in 2010 compared to \$7,070,605 in 2011. This increase is mainly due to a significant decrease in cash paid for claims in the 2010-2011 year and in other expenses. 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 (\$49,526) in 2010 to \$0 in 2011. Net cash consumed from investment activities changed from (\$1,627,728) in 2010 to (\$6,349,013) in 2011.

Trends and Risks

The risks to CORSA are primarily external in nature, and are due to the reinsurance market, weather events, and the economic and legal climates in Ohio. CORSA provides members with a vast array of risk management services to assist in preventing and controlling property and liability risks, all of which can be viewed on CORSA's web site (CORSA.org). 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 25 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, 2012 AND 2011

| | ASSETS | 2012 | 2011 |
|---|-----------------------------------|----------------------|----------------------|
| Current assets | | <u>2012</u> | <u>2011</u> |
| Cash and cash equivalents | | \$ 16,006,835 | \$ 14,307,293 |
| Receivables: | | | |
| Member deductibles receivable | | 459,109 | 585,260 |
| Other receivable | | 30,007 | 1,368 |
| Accrued interest receivable | | 394,621 | 356,277 |
| Total current assets | | <u>16,890,572</u> | <u>15,250,198</u> |
| Investments | | 74,345,613 | 68,061,583 |
| Investment in LLC | | 905,176 | 931,402 |
| Property and equipment | | | |
| Furniture and fixtures | | 62,103 | 62,103 |
| Computer and equipment | | 21,198 | 38,936 |
| Claims system | | 80,838 | 80,838 |
| Vehicles | | 163,241 | 127,180 |
| Total property and equipment | | <u>327,380</u> | <u>309,057</u> |
| Accumulated depreciation | | <u>(235,324)</u> | <u>(265,241)</u> |
| Property and equipment, net | | 92,056 | 43,816 |
| CRL deposit | | <u>383,203</u> | <u>383,203</u> |
| Total | | <u>\$ 92,616,620</u> | <u>\$ 84,670,202</u> |
| | LIABILITIES AND NET ASSETS | | |
| Current liabilities | | | |
| Reserves for unpaid losses and loss adjustment expenses | | \$ 22,450,000 | \$ 22,080,000 |
| Deferred member contributions | | 12,008,949 | 12,225,083 |
| Accrued expenses and other | | 260,299 | 100,065 |
| Total liabilities | | <u>34,719,248</u> | <u>34,405,148</u> |
| Net assets | | | |
| Net assets - unrestricted | | 57,805,316 | 50,221,238 |
| Net assets - invested in capital assets net of related debt | | 92,056 | 43,816 |
| Total net assets | | <u>57,897,372</u> | <u>50,265,054</u> |
| Total liabilities and net assets | | <u>\$ 92,616,620</u> | <u>\$ 84,670,202</u> |

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, 2012 AND 2011

| | 2012 | 2011 |
|---|---------------|---------------|
| Operating revenues | | |
| Member contributions | \$ 23,619,281 | \$ 23,863,088 |
| Less commercial insurance coverages | 3,212,141 | 3,434,533 |
| Total operating revenues | 20,407,140 | 20,428,555 |
| Operating expenses | | |
| Loss and loss adjustment expenses | 12,480,242 | 13,217,939 |
| Benefit for insured events of prior years | (2,172,924) | (5,997,993) |
| Brokerage fees | 275,000 | 300,000 |
| Agent fees | 1,373,747 | 1,384,624 |
| Depreciation | 33,274 | 66,775 |
| Distribution to members | 1,598,836 | 1,600,000 |
| Special program expenses | 863,600 | 530,435 |
| General and administrative expenses | 2,390,569 | 2,252,748 |
| Total expenses | 16,842,344 | 13,354,528 |
| Operating gain | 3,564,796 | 7,074,027 |
| Non-operating (expenses) income | | |
| Investment income | 2,544,308 | 1,930,373 |
| Unrealized gain on investments | 910,722 | 2,004,986 |
| Gain/(Loss) on sale of investments | 805,575 | 1,797,092 |
| Other income | 1,890 | 325 |
| Loss on investment in LLC | (26,225) | (25,361) |
| Investment fees | (168,748) | (121,156) |
| Non-operating income - net | 4,067,522 | 5,586,259 |
| Change in net assets | 7,632,318 | 12,660,286 |
| Net assets at beginning of period | 50,265,054 | 37,604,768 |
| Net assets at end of period | \$ 57,897,372 | \$ 50,265,054 |

See accompanying notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

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

| | 2012 | 2011 |
|--|---------------|---------------|
| Operating activities | | |
| Cash received from members and other parties | \$ 23,500,659 | \$ 26,315,820 |
| Cash paid for commercial insurance | (3,212,141) | (3,434,533) |
| Cash paid for claims | (9,937,318) | (9,691,304) |
| Cash paid for other expenses | (6,341,518) | (6,119,378) |
| Net cash flows from operating activities | 4,009,682 | 7,070,605 |
| Capital and related financing activities | | |
| Disposal of capital assets | 7,889 | - |
| Purchase of capital assets | (89,403) | - |
| Net cash flows from capital and related financing activities | (81,514) | - |
| Investing activities | | |
| Change in investments | (6,284,029) | (11,894,742) |
| Interest received on investment and cash equivalents | 4,055,403 | 5,545,729 |
| Net cash flows from investing activities | (2,228,626) | (6,349,013) |
| Net change in cash and cash equivalents | 1,699,542 | 721,592 |
| Cash and cash equivalents - beginning of period | 14,307,293 | 13,585,701 |
| Cash and cash equivalents - end of period | \$ 16,006,835 | \$ 14,307,293 |
| Reconciliation of change in net assets to net cash flows from operating activities: | | |
| Operating gain | \$ 3,564,796 | \$ 7,074,027 |
| Adjustments to reconcile to operating gain net cash from operating activities: | | |
| Depreciation | 33,274 | 66,775 |
| Member deductibles receivable | 126,151 | 608,056 |
| Member contributions receivable | (28,639) | (1,368) |
| Aggregate reinsurance receivable | - | 11,720 |
| Unpaid losses and loss adjustment expenses | 370,000 | (2,471,358) |
| Deferred member contributions | (216,134) | 1,834,324 |
| Accrued expenses and other | 160,234 | (51,571) |
| Net cash from operating activities | \$ 4,009,682 | \$ 7,070,605 |

See accompanying notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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, 2012, sixty-three (63) Ohio counties and eighteen (18) county facilities were members of CORSA. The CCAO and its related entities were also members of CORSA during the 2011 and 2012 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. CORSA provides members with a vast array of risk management services to assist in preventing and controlling property and liability risks, all of which can be viewed on the CORSA website (www.CORSA.org). 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.

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).

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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.

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.

Investments

Investments are reported at market value based on quoted market prices as established by the major securities markets. 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 Wells Fargo (Custodian) 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.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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 reserves established by an independent actuary for the estimated future development of open claims as of the balance sheet date. Such reserves are necessarily based upon estimates and, while management believes the amount is adequate, the ultimate liability may differ from amounts provided for in the balance sheet. The methods and assumptions used in making such estimates and for establishing the resulting reserves are continually reviewed and updated based upon current circumstances and any adjustments are reflected in operations.

Use of Estimates

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

Net Assets

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

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

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

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

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

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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.

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 25, 2012 and has determined there were no material subsequent events or transactions.

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 at least on an annual basis and updated as deemed necessary. The IPS establishes risk guidelines, investment goals, and assets allocation guidelines. CORSA contracts with Strategic Asset Alliance (SAA) for investment advisor services. SAA provides investment advisory services only to insurance companies and risk sharing pools similar to CORSA. The Board receives quarterly investment reports. Investment management of the assets is targeted for 80% in fixed income securities and 20% in equities and high yield bonds, after a cash reserve is set aside for the immediate payment of claims.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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, 2012, the carrying amount of CORSA's cash and cash equivalents was \$16,006,835. Of this amount, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$250,000 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.

Investments

Investments held by CORSA at April 30, 2012 and 2011, 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, 2012, the carrying amount of CORSA's investments was \$74,345,613. Of this amount, \$500,000, including \$250,000 noted above for cash balances was insured by SIPC. The CORSA Investment Policy stipulates that CORSA's fixed income 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, 2012.

| Investment Type | Fair Value | Not rated | AAA | AA, A, Agy and BBB |
|---------------------------------|----------------------|----------------------|----------------------|-------------------------------|
| US Treasury Bonds | \$ 9,082,782 | \$ - | \$ 9,082,782 | \$ - |
| Mutual funds | 12,367,224 | 12,367,224 | - | - |
| Asset-backed bonds | 30,048,567 | - | 30,048,567 | - |
| Corporate bonds | 17,400,399 | - | - | 17,400,399 |
| International Equity Securities | 3,142,106 | 3,142,106 | - | - |
| Municipal bonds | 2,304,535 | - | 310,965 | 1,993,570 |
| Total investments | \$ 74,345,613 | \$ 15,509,330 | \$ 39,442,314 | \$ 19,393,969 |

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

The following table presents CORSA's investment holdings as of April 30, 2011.

| Investment Type | Fair Value | Not rated | AAA | AA, A and BBB |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| US Treasury Bonds | \$ 8,652,420 | \$ - | \$ 8,652,420 | \$ - |
| Strips | 596,585 | - | 596,585 | - |
| Mutual funds | 16,133,708 | 16,133,708 | - | - |
| Asset-backed bonds | 29,190,977 | - | 29,190,977 | - |
| Corporate bonds | 12,367,617 | - | 2,377,301 | 9,990,316 |
| Municipal bonds | 1,120,276 | - | 204,846 | 915,430 |
| Total investments | \$ 68,061,583 | \$ 16,133,708 | \$ 41,022,129 | \$ 10,905,746 |

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, 2012 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 | \$ 9,082,782 | \$ 700,329 | \$ 1,013,900 | \$ 2,992,660 | \$ 4,375,893 |
| Asset-backed bonds | 30,048,567 | - | 3,040,176 | 3,195,573 | 23,812,818 |
| Corporate bonds | 17,400,399 | - | 5,562,183 | 10,309,867 | 1,528,349 |
| Municipal bonds | 2,304,535 | - | 267,953 | 589,098 | 1,447,484 |
| Total bonds | \$ 58,836,283 | \$ 700,329 | \$ 9,884,212 | \$ 17,087,198 | \$ 31,164,544 |

The following table presents CORSA's bond investments as of April 30, 2011, 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 | \$ 8,652,420 | \$ 2,807,461 | \$ - | \$ 3,144,179 | \$ 2,700,780 |
| Strips | 596,585 | - | - | - | 596,585 |
| Asset-backed bonds | 29,190,977 | - | 1,193,304 | 4,727,769 | 23,269,904 |
| Corporate bonds | 12,367,617 | 100,374 | 4,119,360 | 7,517,346 | 630,537 |
| Municipal bonds | 1,120,276 | - | - | 130,324 | 989,952 |
| Total bonds | \$ 51,927,875 | \$ 2,907,835 | \$ 5,312,664 | \$ 15,519,618 | \$ 28,187,758 |

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, 2012 AND 2011

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, 2012 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------|----------------------|
| Assets: | | | | |
| Asset-backed bonds | \$ - | \$ 30,048,567 | \$ - | \$ 30,048,567 |
| US Treasury Bonds | - | 9,082,782 | - | 9,082,782 |
| Municipal bonds | - | 2,304,535 | - | 2,304,535 |
| Corporate bonds | - | 17,400,399 | - | 17,400,399 |
| Mutual funds: | | | | |
| Large cap | 8,423,039 | - | - | 8,423,039 |
| International | 3,142,106 | - | - | 3,142,106 |
| Fixed income | 3,944,185 | - | - | 3,944,185 |
| Total assets at fair value | <u>\$ 15,509,330</u> | <u>\$ 58,836,283</u> | <u>\$ -</u> | <u>\$ 74,345,613</u> |

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

Assets and liabilities measured at fair value on a recurring bases as of April 30, 2011 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|----------------------|----------------------|-------------|----------------------|
| Assets: | | | | |
| Asset-backed bonds | \$ - | \$ 29,190,977 | \$ - | \$ 29,190,977 |
| US Treasury Bonds | - | 8,652,420 | - | 8,652,420 |
| Strips | - | 596,585 | - | 596,585 |
| Municipal bonds | - | 1,120,276 | - | 1,120,276 |
| Corporate bonds | - | 12,367,617 | - | 12,367,617 |
| Mutual funds: | | | | |
| Large cap | 8,218,496 | - | - | 8,218,496 |
| International | 3,940,477 | - | - | 3,940,477 |
| Fixed income | 3,974,735 | - | - | 3,974,735 |
| Total assets at fair value | \$ 16,133,708 | \$ 51,927,875 | \$ - | \$ 68,061,583 |

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, 2012 and 2011, are as follows:

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Unpaid losses and loss adjustment expenses, beginning of the fiscal year | \$ 22,080,000 | \$ 24,551,358 |
| Incurred losses and loss adjustment expenses: | | |
| Provision of insured events of the current fiscal year | 12,480,242 | 13,217,939 |
| Benefit for insured events of prior fiscal years | (2,172,924) | (5,997,993) |
| Total incurred losses and loss adjustment expenses | 10,307,318 | 7,219,946 |
| Payments: | | |
| Losses and loss adjustment expenses attributable to insured events of the current fiscal year | 3,035,505 | 3,002,120 |
| Losses and loss adjustment expenses attributable to insured events of prior fiscal years | 6,901,813 | 6,689,184 |
| Total payments | 9,937,318 | 9,691,304 |
| Total unpaid losses and loss adjustment expenses, end of the fiscal year | \$ 22,450,000 | \$ 22,080,000 |

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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 retention limit for all liability coverage was \$1,000,000 per occurrence for fiscal years ended in 2012 and 2011. Property coverage also had a retention limit of \$1,000,000 per occurrence for fiscal years ended 2012 and 2011, except for the professional liability and general liability for county homes. The retention limit for the general liability and professional liability for county homes was \$2,000,000 per occurrence. As of April 30, 2012, CORSA provides liability coverage for 25 county homes, with 12 being certified as Medicare/Medicaid care, with the remaining being assisted living facilities. Property coverage also had a retention limit of \$1,000,000 per occurrence for fiscal years ended in 2012 and 2011, with the exception of equipment breakdown for which there was a \$50,000 per occurrence retention limit.

CORSA maintains reinsurance contracts with insurance carriers who provide coverage above CORSA's self-insured retention limits. For liability coverage, each member chooses its limits of liability, with limits varying between \$1,000,000 and \$9,000,000.

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 \$3,212,141 and \$3,434,533 for fiscal years 2012 and 2011, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$20,225 and \$723,953 for fiscal years 2012 and 2011, respectively.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

7. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2012, was as follows:

| | April 30, 2011 | Additions | Deductions | April 30, 2012 |
|--|------------------|------------------|-----------------|------------------|
| Capital assets being depreciated: | | | | |
| Furniture and fixtures | \$ 62,103 | \$ - | \$ - | \$ 62,103 |
| Computer and equipment | 38,936 | - | 17,738 | 21,198 |
| Claims systems | 80,838 | - | - | 80,838 |
| Vehicles | 127,180 | 89,403 | 53,342 | 163,241 |
| | <u>309,057</u> | <u>89,403</u> | <u>71,080</u> | <u>327,380</u> |
| Total property and equipment | | | | |
| Less accumulated depreciation: | | | | |
| Furniture and fixtures | 58,063 | 2,324 | - | 60,387 |
| Computer and equipment | 38,726 | 209 | 17,738 | 21,197 |
| Claims systems | 75,225 | 5,614 | - | 80,839 |
| Vehicles | 93,227 | 25,127 | 45,453 | 72,901 |
| | <u>265,241</u> | <u>33,274</u> | <u>63,191</u> | <u>235,324</u> |
| Total accumulated depreciation | | | | |
| Total capital assets being depreciated - net | <u>\$ 43,816</u> | <u>\$ 56,129</u> | <u>\$ 7,889</u> | <u>\$ 92,056</u> |

Capital assets activity for the years ended April 30, 2011, was as follows:

| | April 30, 2010 | Additions | Deductions | April 30, 2011 |
|--|-------------------|--------------------|---------------|------------------|
| Capital assets being depreciated: | | | | |
| Furniture and fixtures | \$ 79,118 | \$ - | \$ 17,015 | \$ 62,103 |
| Computer and equipment | 40,232 | - | 1,296 | 38,936 |
| Claims systems | 105,119 | - | 24,281 | 80,838 |
| Vehicles | 127,180 | - | - | 127,180 |
| | <u>351,649</u> | <u>-</u> | <u>42,592</u> | <u>309,057</u> |
| Total property and equipment | | | | |
| Less accumulated depreciation: | | | | |
| Furniture and fixtures | 68,384 | 6,694 | 17,015 | 58,063 |
| Computer and equipment | 37,513 | 2,509 | 1,296 | 38,726 |
| Claims systems | 67,370 | 32,136 | 24,281 | 75,225 |
| Vehicles | 67,791 | 25,436 | - | 93,227 |
| | <u>241,058</u> | <u>66,775</u> | <u>42,592</u> | <u>265,241</u> |
| Total accumulated depreciation | | | | |
| Total capital assets being depreciated - net | <u>\$ 110,591</u> | <u>\$ (66,775)</u> | <u>\$ -</u> | <u>\$ 43,816</u> |

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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 \$99,927 and \$82,944 was incurred by CORSA for fiscal years ended April 30, 2012 and 2011, 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 \$16,727 and \$11,010 was incurred by CORSA for fiscal years ended April 30, 2012 and 2011, respectively.

10. RELATED PARTY

During the 2012 and 2011 fiscal years and expiring on December 31, 2011, there was a line of credit available from CORSA to CCAO SC in the amount of \$1,000,000. This line of credit was not used during those years and no unpaid balances exist from previous uses of the line of credit.

During the 2012 and 2011 fiscal years, CORSA paid \$1,737,245 and \$1,731,535, respectively, to CCAO for management, legislative, and administrative services. CORSA's accounts payable to CCAO as of April 30, 2012 and 2011 was \$1,540 and \$58, respectively.

COUNTY RISK SHARING AUTHORITY, INC.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011

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 \$26,225 and \$25,361 as of April 30, 2012 and 2011.

12. COMMITMENTS

CORSA, CEBCO, and CCAO committed to pay to County Governance Facility LLC, for maintenance, repairs, and up-keep relating to their property during 2012. CORSA's portion of this commitment is \$118,580.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY RISK SHARING AUTHORITY, INC.

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 reinsurance) 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.

| | <u>April 30, 2008</u> | <u>April 30, 2009</u> | <u>April 30, 2010</u> | <u>April 30, 2011</u> | <u>April 30, 2012</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| (1) Net earned required contributions and investments and other revenues | \$ 20,823,812 | \$ 13,802,897 | \$ 29,396,497 | \$ 26,161,331 | \$ 24,669,635 |
| (2) Unallocated expenses | 7,319,657 | 7,102,200 | 7,592,856 | 6,275,407 | 6,729,999 |
| (3) Estimated losses/LAE | 16,595,959 | 15,856,785 | 14,413,083 | 13,217,939 | 12,480,242 |
| (4) Paid: | | | | | |
| End of policy year | 4,366,627 | 4,949,790 | 3,746,175 | 3,002,120 | 3,035,505 |
| One year later | 9,780,937 | 7,808,885 | 6,655,871 | 7,271,874 | - |
| Two years later | 11,054,653 | 10,043,440 | 7,079,093 | - | - |
| Three years later | 11,635,469 | 11,006,656 | - | - | - |
| Four years later | 12,369,186 | - | - | - | - |
| (5) Re-estimated losses/LAE | | | | | |
| End of policy year | 16,595,959 | 15,856,785 | 14,413,083 | 13,217,939 | 12,480,242 |
| One year later | 16,501,112 | 14,529,964 | 10,689,509 | 13,133,778 | - |
| Two years later | 14,518,167 | 14,732,020 | 9,226,352 | - | - |
| Three years later | 13,405,412 | 14,182,062 | - | - | - |
| Four years later | 12,856,139 | - | - | - | - |
| (6) Increase (decrease) in estimate | \$ (549,273) | \$ (549,958) | \$ (1,463,157) | \$ (84,161) | \$ - |

See report of independent auditors on page 1.

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

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

We have audited the financial statements County Risk Sharing Authority, Inc. (CORSA) as of and for the years ended April 30, 2012 and 2011, and have issued our report thereon dated July 25, 2012. 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

The management of CORSA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered CORSA's internal control over financial reporting as a basis for designing our audit 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or 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 management of CORSA in a separate letter dated July 25, 2012.

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

Beverly G. LLC

July 25, 2012



Dave Yost • 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 8, 2012**