County Risk Sharing Authority, Inc.

Financial Statements and Supplemental Information as of and for the Years Ended April 30, 2006 and 2005, and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Directors
County Risk Sharing Authority, Inc.
37 West Broad Street
Suite 650
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the County Risk Sharing Authority, Inc., Franklin County, prepared by Deloitte & Touche LLP for the audit period May 1, 2005 through April 30, 2006. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 22, 2006

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COUNTY RISK SHARING AUTHORITY, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
County Risk Sharing Authority, Inc.:

We have audited the accompanying statements of net assets of County Risk Sharing Authority, Inc. ("CORSA") as of April 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of CORSA management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CORSA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CORSA at April 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). This supplementary information is the responsibility of CORSA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of CORSA taken as a whole. The supplemental claim information on pages 19-22 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of CORSA's management. Such information for the year ended April 30, 2006 has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006, on our consideration of CORSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

July 27, 2006

COUNTY RISK SHARING AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the County Risk Sharing Authority, Inc. (CORSA) offers this narrative overview and analysis of the financial activities of CORSA for the fiscal years ended April 30, 2006 and 2005. Readers are encouraged to consider the information presented here in conjunction with CORSA's financial statements and notes to the financial statements to enhance their understanding of CORSA's financial performance.

Organization

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

CORSA's mission is achieved through the following objectives:

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

As of April 30, 2006, sixty-two (62) Ohio counties and fourteen (14) multi-county correctional facilities were members of CORSA.

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis – Statements of Net Assets

The following table presents the summarized financial position for the fiscal years ending April 30, 2006 and 2005. More detailed information is available in the accompanying basic financial statements.

Assets	2006	2005	Increase (Decrease)
Cash and cash equivalents	$ 4,525,311	$ 12,009,903	$ (7,484,592)
Receivables	18,232,253	9,475,686	8,756,567
Investments	51,109,065	48,902,477	2,206,588
Fixed and capital assets	121,875	49,743	72,132
Loan to CCAO	700,000	-	700,000
Total assets	$ 74,688,504	$ 70,437,809	$ 4,250,695
Liabilities			
Unpaid losses and loss adjustment expenses	$ 29,168,757	$ 21,262,870	$ 7,905,887
Deferred member contributions	19,226,351	17,887,183	1,339,168
Accrued expenses and other	89,286	92,146	(2,860)
Total liabilities	$ 48,484,394	$ 39,242,199	$ 9,242,195
Net Assets	$ 26,204,110	$ 31,195,610	$ (4,991,500)

Cash and cash equivalents were $7,484,592 less on April 30, 2006 than on April 30, 2005. This decrease is due to the fact that many more premiums for the upcoming fiscal year were paid before April 30 in 2005 than were paid before April 30 in 2006. Correspondingly, receivables due from counties on April 30, 2006 were significantly higher than on April 30, 2005 for the same reason. More premiums were owed to CORSA for the new fiscal year on April 30, 2006 than on April 30, 2005. Also contributing to the decrease in cash is the fact that CORSA paid out over $2,690,000 more in claims during the 2005-2006 fiscal year than were paid out in the 2004-2005 fiscal year.

Investments are shown at market value on the financial statements. Smith Barney Consulting Group is CORSA's investment consultant. Smith Barney conducts investment manager searches and recommends investment managers who have discretion to purchase, sell, or hold securities based on CORSA's written Investment Policy. This Investment Policy sets guidelines for the allocation of CORSA's invested funds. After a reserve is set aside in easily accessible money market accounts for the payment of claims, the rest of the available funds from premiums are allocated between fixed income securities and equity securities. CORSA's Investment Policy mandates that no more than 25% can be allocated to equity securities.

Capital and fixed assets increased by $72,132 between April 30, 2005 and April 30, 2006. CORSA has undertaken the commitment to bring claims administration and processing in-house during the fiscal period of 2006-2007. Capital and fixed assets related to this undertaking, such as computers, equipment, and furniture, as well as a new claims software system, account for this increase.

Also listed on the 2006 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation in the amount of $700,000. This relates to draws on a line of credit that the Association has with CORSA. The full amount due was repaid to CORSA in May of 2006. Draws were made on this line of credit in the 2004-2005 fiscal year, and the amount was repaid in full before the fiscal year-end.

CORSA's assets in total increased by $4,250,695 over the previous year.

The liability for unpaid losses and loss adjustment expenses increased from $21,262,870 in 2005 to $29,168,757 in 2006. This amount is determined by an independent actuary. Between the time a claim is reported and the time it is closed, reserves are established for the estimated amount that will have to be paid at some future date to settle the loss. Reserves are also established for claims that have occurred but are not yet known to CORSA (IBNR – incurred but not reported). Therefore, losses are recognized in the current year for some claims that will not be reported until future periods. The increase in liability reserves can be attributed in large part to claims that occurred in program years 2002-2003, 2003-2004, and 2004-2005 that were first reported in the 2005-2006 program year.

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 $17,887,183 in 2005 to $19,226,351 in 2006. The increase in contributions is due to new members joining during the 2005-2006 year, increased exposures of current members, and additional coverage being purchased by current members.

The difference between assets and liabilities, or Net Assets, decreased by $4,991,500 from 2005 to 2006. A distribution of approximately $1,600,000 was made to CORSA members at the time of the 2005-2006 renewal in the form of credits to their contributions. Another distribution of approximately $2,400,000 was made to CORSA members at the time of the 2006-2007 renewal in the same form.

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, 2006 and 2005. More detailed information is available in the accompanying basic financial statements.

Revenues		**2006**		**2005**		**Increase (Decrease)**
Member contributions (less commercial insurance)	$	16,159,630	$	15,187,228	$	972,402
Net investment income		2,022,643		2,206,547		(183,904)
Other		20,764		4,878		15,886
Total revenues	$	18,203,037	$	17,398,653	$	804,384
Expenses						
Loss and loss adjustment expenses for current year events	$	10,862,995	$	10,982,637	$	(119,642)
Provision for insured events of prior years		6,791,012		2,008,027	$	4,782,985
Marketing, administrative, and other		5,540,530		5,049,872		490,658
Total expenses	$	23,194,537	$	18,040,536	$	5,154,001
Change in Net Assets	$	(4,991,500)	$	(641,883)	$	(4,349,617)
NET ASSETS						
Beginning of year		31,195,610		31,837,493		
End of year	$	26,204,110	$	31,195,610		

Member contributions earned increased from $15,187,228 in 2005 to $16,159,630 in 2006. This increase is attributed mainly to new members joining CORSA for the 2005-2006 fiscal year and additional lines of coverage provided to existing members.

The other part of CORSA's revenues is in investment income. CORSA's net investment income, including unrealized and realized gains, decreased $183,904 from the previous year. Although investment income and realized gains on the sales of investments increased significantly over the previous year, CORSA's bond-heavy portfolio incurred unrealized losses. CORSA's portfolio, in keeping with the Investment Policy, is at least 75% bonds at any given time. In a period of rising short-term interest rates, there tends to be downward pressure on the price of existing bonds, resulting in unrealized losses. However, any actual losses that may eventually be realized (realized losses) occur when the bonds are actually sold. Investment income increased from $2,020,928 to $2,461,980, and the realized gain on all investments actually sold increased from $259,500 to $796,578.

CORSA's revenues in total increased by $804,384 between 2005 and 2006.

Loss and loss adjustment expenses for current year events are expenses for claims that have occurred during the current year. The expenses include payments for claims that have occurred during the current year, and also reserves that have been established by adjustors for still pending open claims that have occurred during the current year. The expenses also include an amount established by CORSA's actuaries of the value of claims that the actuary estimates to have occurred during the current year, but have not been reported during the current year, but will be reported in future years (Incurred But Not Reported – IBNR). CORSA's loss and loss adjustment expenses for the current year decreased by $119,642 from 2005 to 2006.

Provision for insured events of prior years are the changes in the amounts paid, reserved, and the IBNR for all program years prior to the current program year. The expenses for paid and reserved claims and the IBNR for each prior year as of April 30, 2006 were compared to what the expenses were as of April 30, 2005 for all years prior to April 30, 2006. The provision represents a total of the changes of each program year. The provision for insured events of prior years increased by $4,782,985. As indicated above, the change is mostly due to claims that occurred in program years 2002-2003, 2003-2004, and 2004-2005 but were not reported until during the 2005-2006 year. Auto liability and public officials liability claims development was adverse for policy year 2002-2003. General liability, law enforcement liability, and public officials liability claims development was adverse for 2003-2004. All liability coverages had worse than expected development for 2004-2005.

It is noted later in this report that a new actuary was selected by CORSA in late 2005, subsequent to the 2004-2005 actuarial report. When actuaries change, there is a possibility the approach to establishing the IBNR for the current and prior years could change. It is difficult to speculate if any of the changes noted above can be attributed to the new actuary.

Marketing, administrative, and other expenses increased by $490,658 between 2005 and 2006. Much of this increase can be attributed to expenses related to a new risk management program, called the Lightning Protection Incentive. Under this program, CORSA pays for members to receive lightning protection services for their facilities. This program has proven to be effective in controlling losses.

Due mainly to the unusual development of losses for prior years, CORSA realized an overall net loss of $4,991,500. CORSA's net assets, also known as member equity, stand at $26,204,110 as of April 30, 2006.

Current and Future Trends

CORSA is financially strong, and has a high level of member support and loyalty. In its 18 year history, only one county has left the CORSA program, and that county has since requested an opportunity to rejoin, and CORSA agreed to extend membership to that county in May of 2005. Membership is loyal due to CORSA's track record of providing broad coverage and comprehensive risk management services at stable and competitive costs. CORSA continues to grow, as one additional county and one additional county facility joined the Program during the 2005-2006 year.

The risks to CORSA are primarily external in nature, and are due to the reinsurance market, and the economic and legal climates in Ohio. With CORSA's $1,000,000 self-insured retention, CORSA members are less vulnerable to the pricing cycles of the commercial insurance market. Excess insurance and reinsurance costs account for approximately 14% of total operating costs.

The other major risk to CORSA is the possibility of extraordinary or unexpected claims. In recent years, CORSA has experienced unprecedented adverse claims development. Fortunately, the financial strength of CORSA makes it possible for the Program to sustain such circumstances. CORSA still has healthy ratios of net assets to premiums and net assets to self-insured retention, two benchmarks of insurance pool financial health. This is because CORSA Management has been aware of and prepared for claims contingencies by remaining conservative in investment and other financial decisions during better times.

CORSA is implementing additional risk management initiatives to address employment practice, law enforcement, and auto liability issues, areas that have been mainly responsible for the adverse claim development. CORSA has also brought claims administration and processing in-house for the 2006-2007 year. Rather than using a third party administrator, CORSA will now have its own staff to manage the claim and litigation process, and thus have control over the largest component of the Program's total expenses. CORSA Management believes this will be effective in controlling losses and is an investment in CORSA's future financial strength.

CORSA went through an RFP process to select a new actuary in 2005. By The Numbers Actuarial Consulting was chosen as CORSA's new actuary. The firm does the actuary work for many property and casualty risk sharing pools in the United States, and also is the actuary for County Re, a captive insurance company that provides reinsurance for the majority of pools that are administered by County Commissioners' Associations.

Request for information

This financial report is designed to provide a general overview of CORSA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David Brooks, CORSA Managing Director, County Risk Sharing Authority, Inc., 37 West Broad Street, Suite 650, Columbus, Ohio 43215.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF NET ASSETS
APRIL 30, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,525,311	$ 12,009,903
Loan to CCAO Natural Gas	700,000	-
Accounts receivable:		
Member contributions receivable	16,790,310	7,990,150
Member deductibles receivable	665,802	578,003
Reinsurance receivable	74,221	142,115
Accrued interest receivable	305,552	316,358
Related party receivables and other	25,493	78,185
Total current assets	23,086,689	21,114,714
INVESTMENTS	51,109,065	48,902,477
PROPERTY AND EQUIPMENT:		
Furniture and fixtures	80,420	61,531
Computer and equipment	45,914	33,444
Claims system	60,629	-
Vehicles	50,466	50,466
Total property and equipment	237,429	145,441
Accumulated depreciation	(115,554)	(95,698)
Property and equipment—net	121,875	49,743
LONG TERM—Related party receivables	370,875	370,875
TOTAL ASSETS	$ 74,688,504	$ 70,437,809
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Reserves for unpaid losses and loss adjustment expenses	$ 29,168,757	$ 21,262,870
Deferred member contributions	19,226,351	17,887,183
Accrued expenses and other	89,286	92,146
Total current liabilities	48,484,394	39,242,199
NET ASSETS:		
Invested in capital assets	121,875	49,743
Unrestricted	26,082,235	31,145,867
Total net assets	26,204,110	31,195,610
TOTAL LIABILITIES AND NET ASSETS	$ 74,688,504	$ 70,437,809

See notes to financial statements

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED APRIL 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
Member contributions	$ 20,067,236	$ 19,227,021
Less: Commercial insurance coverages	3,907,606	4,039,793
Total operating revenues, net	16,159,630	15,187,228
OPERATING EXPENSES:		
Loss and loss adjustment expenses for current year events	10,862,995	10,982,637
Provision for insured events of prior years	6,791,012	2,008,027
Claims administration expenses	655,602	651,139
Brokerage fees	350,000	307,534
Agent fees	1,155,723	1,104,929
Depreciation	20,832	24,006
Distribution to members	1,600,022	1,599,858
Property appraisals	116,005	161,420
Lightning protection expenses	330,460	-
Law enforcement incentive program expenses	21,032	15,168
Administrative expenses	1,290,854	1,185,818
Total operating expenses	23,194,537	18,040,536
OPERATING LOSS	(7,034,907)	(2,853,308)
NON-OPERATING INCOME (EXPENSES):		
Investment income	2,461,980	2,020,928
Unrealized gain (loss) on investments	(900,535)	232,794
Gain on sale of investments	796,578	259,500
Other income	20,764	4,878
Investment fees	(335,380)	(306,675)
Non-operating income, net	2,043,407	2,211,425
CHANGE IN NET ASSETS	(4,991,500)	(641,883)
NET ASSETS:		
Beginning of year	31,195,610	31,837,493
End of year	$ 26,204,110	$ 31,195,610

See notes to financial statements

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and other parties	$ 11,939,031	$ 18,247,773
Cash paid for commercial insurance	(3,907,606)	(4,039,793)
Cash paid for claims	(9,748,120)	(7,057,556)
Cash paid for other expenses	(5,521,560)	(5,219,039)
Net cash (used in) provided by operating activities	(7,238,255)	1,931,385
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES—		
Purchase of property and equipment	(93,961)	(20,691)
Net cash (used by) capital and related financing activities	(93,961)	(20,691)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investments and other income	2,493,548	2,045,620
Cash paid for investment fees	(335,380)	(306,675)
Purchase of investments	(55,916,521)	(59,439,248)
Proceeds from sale of investments	46,810,947	51,353,276
Proceeds from maturity of investments	6,795,030	3,317,000
Net cash used in investing activities	(152,376)	(3,030,027)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,484,592)	(1,119,333)
CASH AND CASH EQUIVALENTS:		
Beginning of year	12,009,903	13,129,236
End of year	$ 4,525,311	$ 12,009,903
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (7,034,907)	$ (2,853,308)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	20,832	24,006
Loss on disposal of asset	998	
Member contributions receivable	(8,800,160)	(1,784,056)
Related party receivable and other	(647,308)	(140,010)
Member deductibles receivable	(87,799)	95,044
Reinsurance receivable	67,894	94,317
Prepaid expenses		4,498
Unpaid losses and loss adjustment expenses	7,905,887	5,933,108
Deferred member contributions	1,339,168	755,457
Accrued expenses and other	(2,860)	(197,671)
Net cash (used in) provided by operating activities	$ (7,238,255)	$ 1,931,385

See notes to financial statements.

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, 2006, sixty-two (62) Ohio counties and fourteen (14) multi-county correctional facilities were members of CORSA.

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

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

From May 1, 1997 through April 30, 2002, CORSA's self insured retention (SIR) for all coverages was $500,000 per occurrence. Effective May 1, 2002, CORSA's SIR was increased to $1,000,000 per occurrence, as cost of commercial insurance and reinsurance increased dramatically for both private and public sectors. Due to CORSA's strong surplus position, it became more cost-effective for CORSA to increase its SIR to $1,000,000 in order to minimize the impact of rising reinsurance costs to members.

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

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

The claims third party administrator has stated that there are no open claims that have the potential to develop into the Bond Fund, and the actuary has removed the Incurred But Not Reported (IBNR) from the Bond Fund. As of April 30, 2006 and 2005, the Bond Fund had assets of approximately $4,800,000 and $5,000,000, respectively. Beginning with the 2003-2004 fiscal year, $250,000 of Bond Fund equity and $250,000 of Bond Fund investment income was returned annually to Bond Fund participants in the form of credits to the annual member contributions. Since CORSA's adjustors have indicated that there are not open claims that could penetrate the Bond Fund, and since the actuary has removed IBNR, the decision has been made to return all bond equity to bond participants over a four year period. Beginning with the 2006-2007 fiscal year, the total credit to Bond Fund participants will be increased to $1,300,000 each year for the first three years, with the remaining balance distributed in the fourth year.

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

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

2. ACCOUNTING POLICIES

Basis of Accounting—CORSA follows the accrual basis of accounting as required by enterprise funds and is not legally required to adopt a budget. 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").

Certain reclassifications were made to prior year's amounts to conform with the classification of such amounts for the most recent fiscal year.

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

Investments are reported at market value. Investment income includes interest, dividend and amortization of premiums and accretion of discounts using the effective interest method relating to debt securities acquired at other than par value. Funds held by Smith Barney (Trustee) also include cash equivalents which are carried at market value. Unrealized gains and losses and realized gains and losses are determined on the identified cost basis and are reflected in the statements of revenues, expenses and changes in net assets.

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

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

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

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

Unpaid Losses and Loss Adjustment Expenses include the estimated costs of investigating and settling all claims incurred as of the balance sheet date. Such amounts are determined on the basis of claims adjusters' evaluations of losses reported and CORSA's actuary's estimated losses incurred but not reported as of the balance sheet date. Such reserves are necessarily based upon estimates and, while management believes the amount is adequate, the ultimate liability may differ from amounts provided for in the balance sheet. The methods and assumptions used in making such estimates and for establishing the resulting reserves are continually reviewed and updated based upon current circumstances and any adjustments are reflected in operations.

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

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

> *Invested in capital assets, net of related debt*—This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are unavailable for the acquisition, construction, or improvements of those assets.
>
> *Restricted*—This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.
>
> *Unrestricted*—This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

As of April 30, 2006, CORSA does not have any "restricted" net assets. Under certain conditions, CORSA may distribute all or part of the net assets to those members who constituted the self-insurance pool during the years when such surplus member funds were earned, provided that such members must also be members of CORSA in the year in which said distribution is made.

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

3. CASH AND INVESTMENTS

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

The Investment Policy establishes risk guidelines, investment goals, and asset allocation guidelines for each of the two primary investment pools, the Bond Fund and the Claims Fund. According to the Policy, investment management of the assets in the Bond Fund are to be 100% fixed income and money market securities, with at least 60% in Government Securities and the rest in investment grade corporate bonds. Investment management of the assets in the Claims Fund are to be at least 75% in fixed income securities and the rest in large cap equities, after a cash reserve is set aside for the immediate payment of claims.

Cash and cash equivalents

To maintain the ability to meet cash requirements for the payment of claims, the IPS stipulates that a minimum of $1,000,000 be maintained in cash or cash equivalents, including money market funds. Cash and cash equivalents include bank deposits into checking accounts and interest-bearing money market accounts, as well as funds held in highly liquid securities in the investment pools. At April 30, 2006 the carrying amount of CORSA's cash and cash equivalents was $4,525,311. Of this amount, $100,000 was insured or collateralized with securities held by CORSA in CORSA's name. The remaining balance was collateralized with the securities held by the financial institution's trust department or agent in CORSA's name. Therefore, CORSA was not exposed to the risk that it could not recover its deposits or securities in the event of the failure of the depository financial institution.

Investments

Investments held by CORSA at April 30, 2006, are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The CORSA Investment Policy stipulates that Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better unless the Board makes a specific exception.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is primarily managed by establishing guidelines for portfolio duration. The CORSA Investment Policy stipulates that for fixed income securities, the maximum maturity for any single security is 30 years. The following table presents CORSA's bond investments as of April 30, 2006 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	$ 2,233,386	$ 59,191	$ 387,817	$ 758,414	$ 1,027,964
US Agency bonds	3,979,445		2,105,139	1,874,306	
US Strips	357,130				357,130
Mortgage-backed bonds	24,981,068		1,356,536	557,678	23,066,854
Corporate bonds	9,043,377		3,413,552	3,778,208	1,851,617
International bonds	802,197		580,622	221,575	-
Total Bonds	$ 41,396,603	$ 59,191	$ 7,843,666	$ 7,190,181	$ 26,303,565

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

4. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

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

The changes in the reserves for unpaid losses and loss adjustment expenses for the years ended April 30, 2006 and 2005, are as follows (net of reinsurance, see Note 5).

	2006	2005
Unpaid losses and loss adjustment expenses, beginning of the fiscal year	$21,262,870	$15,329,762
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year	10,862,995	10,982,637
Provision for insured events of prior fiscal years	6,791,012	2,008,027
Total incurred losses and loss adjustment expenses	17,654,007	12,990,664
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	2,058,220	2,370,166
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	7,689,900	4,687,390
Total payments	9,748,120	7,057,556
Total unpaid losses and loss adjustment expenses, end of the fiscal year	$29,168,757	$21,262,870

5. SELF-INSURED RETENTION AND REINSURANCE

CORSA retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance and reinsurance contracts. CORSA's per-occurrence retention limit for all liability coverage was $1,000,000 for fiscal years ending in 2006 and 2005. Property coverage also had a per-occurrence retention limit of $1,000,000 for fiscal years ending in 2006 and 2005, with the exception of boiler and machinery for which there was a $50,000 per-occurrence retention limit.

CORSA maintains excess insurance and reinsurance contracts with insurance carriers who provide various limits of coverage over CORSA's self-insured retention limits. Each member chooses its limits of liability coverage, with limits varying between $2,000,000 and $9,000,000. Excess property is covered by St. Paul/Travelers, and excess liability is covered by Munich/American Re. Hartford Steam Boiler is the reinsurance carrier for boiler and machinery, with a pool limit of $100,000,000.

In the event that a loss should exceed the amount of coverage provided by CORSA, then the payment of any uncovered valued loss is the obligation of the individual member or members against which the claims were made. In the unlikely event that all or any of the insurance companies are unable to meet their obligations under the excess insurance and reinsurance contracts, CORSA and its members would be responsible for such defaulted amounts.

Premiums ceded to reinsurers were $3,907,606 and $4,039,793 for fiscal years 2006 and 2005, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was $4,342,720 and $1,685,371 for fiscal years 2006 and 2005, respectively.

6. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2006 and 2005 was as follows:

	April 30, 2005	Additions	Deductions	April 30, 2006
Capital assets being depreciated:				
Computer and equipment	$ 33,444	$ 14,444	$ 1,974	$ 45,914
Vehicles	50,466			50,466
Claims system		60,629		60,629
Furniture and fixtures	61,531	18,889		80,420
Total property and equipment	145,441	93,962	1,974	237,429
Less accumulated depreciation:				
Computer and equipment	11,770	6,963	976	17,757
Vehicles	46,396	4,070		50,466
Claims system		2,077		2,077
Furniture and fixtures	37,532	7,722		45,254
Total accumulated depreciation	95,698	20,832	976	115,554
Total capital assets being depreciated, net	$ 49,743	$ 73,130	$ 998	$ 121,875

7. COMMITMENTS

During the 2005-2006 year, CORSA had agreements with Alternative Service Concepts L.L.C., Willis Pooling, and the County Commissioners Association of Ohio (CCAO) whereby each provides certain executive, marketing and administrative functions for CORSA. Fees for such services are recognized ratably over the applicable period.

Rental expense for operating leases totaled $24,041 and $23,736 for the years ended April 30, 2006 and 2005, respectively. These leases related to automobiles. Future minimum lease payments under contractually noncancellable operating leases (with initial lease terms in excess of one year) for years subsequent to April 30, 2006, are as follows: $24,041in fiscal year 2006-2007 and $5,058 in fiscal year 2007-2008.

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

CORSA maintains a defined contribution plan covering all eligible employees who meet certain age and service requirements. The amount contributed to the plan by CORSA is not to exceed 10 percent of the employee's annual qualified compensation. Contributions to the plan are made at the discretion of the Board of Directors of CORSA. Contributions of $43,052 and $39,818 were made for fiscal years ended April 30, 2006 and 2005, respectively.

10. RELATED PARTY

In 2002 and 2003, the CORSA Board of Directors and the County Commissioners' Association of Ohio (CCAO) jointly approved the funding of a new county government health insurance pool, which was named County Employee Benefits Consortium of Ohio (CEBCO). The funding was for various start-up and first year expenses, and was to be repaid to CORSA by CEBCO when it was fiscally prudent to do so. There were no formal repayment terms. The implementation date of the health program was January 1, 2004. Funding from CORSA began in 2002 and continued through February of 2005. The total amount of the funding was $445,875. In December of 2005, CEBCO paid $75,000 to CORSA as partial repayment. To date, $370,875 is still due to CORSA.

During the fiscal years 2005-2006 and 2004-2005, there was a line of credit available to CEBCO from CORSA in the amount of $1,000,000. There were no borrowings under this line of credit. This line of credit had an interest rate of 5% and expired in December 2005. This line of credit was originally established in the event the consortium experienced significantly worse claim experience than expected. The line of credit was replaced in May of 2006 with another $1,000,000 line of credit that will be used to provide loans to prospective CEBCO members to pay for run-out health insurance claims. As of the issuance of this report, one county has borrowed $200,000 to pay for run-out claims, which will be repaid with interest in monthly installments over a two year period.

Also during the fiscal years 2005-2006 and 2004-2005, there was a line of credit available to the County Commissioners' Association of Ohio (CCAO) from CORSA in the amount of $1,000,000. There were several borrowings under this line of credit during both fiscal years. CCAO paid interest to CORSA on any unpaid principal balance on a monthly basis, at a rate of 6%. Interest earned by CORSA on this line of credit during the fiscal years 2005-2006 and 2004-2005 was $20,267 and $4,774, respectively. The unpaid balance on the principal as of April 30, 2006 was $700,000. CCAO paid this amount in full to CORSA in May of 2006. There was no unpaid balance on the principal on April 30, 2005.

* * * * * *

SUPPLEMENTAL SCHEDULE

COUNTY RISK SHARING AUTHORITY, INC.

Supplementary Statement of Earned Revenues, Losses and Other Expenses (Net of Reinsurance)

For the fiscal year ended April 30, 2006

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

COUNTY RISK SHARING AUTHORITY, INC.

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

	April 30, 1997	April 30, 1998	April 30, 1999	April 30, 2000	April 30, 2001	April 30, 2002	April 30, 2003	April 30, 2004	April 30, 2005	April 30, 2006
(1) Net earned required contribution and investment revenues	$ 8,267,385	$ 10,456,788	$11,051,068	$10,437,266	$12,447,298	$10,830,400	$13,773,236	16,289,754	$17,705,328	$18,538,417
(2) Unallocated expenses	2,321,105	2,082,672	2,353,243	2,378,819	3,007,253	2,975,649	2,939,599	3,540,597	5,356,547	5,875,910
(3) (A) Estimated losses/LAE (self-insured layer)	4,627,635	4,652,110	5,115,958	4,875,463	5,328,069	4,653,605	8,315,736	6,624,680	10,982,637	10,862,995
(3) (B) Estimated losses/LAE (excess layer)	575,000									
(3) Total	5,202,635	4,652,110	5,115,958	4,875,463	5,328,069	4,653,605	8,315,736	6,624,680	10,982,637	10,862,995
(4) (A) Paid (self-insured layer):										
End of Policy Year	834,137	542,356	1,775,929	764,959	1,410,969	1,100,092	1,563,931	1,575,043	2,370,166	2,058,220
One Year Later	1,542,782	2,110,822	2,749,747	2,477,847	2,276,585	2,595,110	2,167,189	2,957,968	5,258,188	
Two Years Later	3,011,927	4,082,744	4,350,387	3,035,124	3,344,951	3,143,554	3,576,294	4,307,675		
Three Years Later	3,926,101	4,803,408	5,274,556	4,829,229	3,806,600	3,799,826	5,362,374			
Four Years Later	4,627,635	5,511,904	5,810,080	5,395,478	4,564,597	4,374,238				
Five Years Later	4,947,551	6,098,179	5,938,373	5,676,432	5,197,762					
Six Years Later	5,018,617	6,091,281	6,005,872	6,020,883						
Seven Years Later	5,020,894	6,091,342	6,103,107							
Eight Years Later	5,020,894	6,091,342								
Nine Years Later	5,020,894									
(4) (B) Paid (excess layer):										
End of Policy Year										
One Year Later										
Two Years Later										
Three Years Later	70,931									
Four Years Later	70,931									
Five Years Later	70,931									
Six Years Later	394,659									
Seven Years Later	395,315									
Eight Years Later	395,315									
Nine Years Later	395,315									

(Continued)

COUNTY RISK SHARING AUTHORITY, INC.

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

	April 30, 1997	April 30, 1998	April 30, 1999	April 30, 2000	April 30, 2001	April 30, 2002	April 30, 2003	April 30, 2004	April 30, 2005	April 30, 2006
(5) (A) Re-estimated losses/LAE (self-insured layer):										
End of Policy Year	4,627,635	4,652,110	5,115,958	4,875,463	5,328,069	4,653,605	8,315,736	6,624,680	10,982,637	10,862,995
One Year Later	4,627,635	4,869,558	6,080,301	5,913,733	4,799,682	4,723,921	6,294,034	7,439,384	13,205,150	
Two Years Later	4,772,543	4,975,209	6,455,321	5,051,705	4,874,669	5,822,540	7,426,332	10,051,959		
Three Years Later	4,668,938	5,775,326	6,362,040	6,009,172	5,747,820	5,713,081	9,031,284			
Four Years Later	4,627,635	6,095,795	6,485,325	6,181,911	6,106,113	5,850,638				
Five Years Later	5,042,945	6,123,337	6,441,086	6,012,038	5,829,877					
Six Years Later	5,093,394	6,111,838	6,505,426	6,264,960						
Seven Years Later	5,070,894	6,091,342	6,748,991							
Eight Years Later	5,020,894	6,092,992								
Nine Years Later	5,020,894									
(5) (B) Re-estimated losses/LAE (excess layer):										
End of Policy Year	575,000									
One Year Later	425,000									
Two Years Later	943,131									
Three Years Later	883,431									
Four Years Later	768,431									
Five Years Later	668,432									
Six Years Later	842,815									
Seven Years Later	395,315									
Eight Years Later	395,315									
Nine Years Later	395,315									
(6) (A) Increase (decrease) in estimate (self-insured layer)	393,259	1,440,882	1,633,033	1,389,497	501,808	1,197,033	715,548	3,427,279	2,222,513	
(6) (B) Increase (decrease) in estimate (excess layer)	(179,685)									
	$ 213,574	$ 1,440,882	$ 1,633,033	$ 1,389,497	$ 501,808	$ 1,197,033	$ 715,548	$ 3,427,279	$ 2,222,513	$

(Concluded)

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
County Risk Sharing Authority, Inc:

We have audited the financial statements of County Risk Sharing Authority, Inc. ("CORSA"), as of and for the year ended April 30, 2006, and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CORSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 a matter that we reported to CORSA management in a separate letter dated July 27, 2006.

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

Deloitte & Touche LLP

July 27, 2006

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COUNTY RISK SHARING AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 5, 2006