

# **COUNTY RISK SHARING AUTHORITY, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULES**

**APRIL 30, 2013 AND 2012**





# 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, 2012 through April 30, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 9, 2013

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# COUNTY RISK SHARING AUTHORITY, INC.

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

## REPORT OF INDEPENDENT AUDITORS

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the County Risk Sharing Authority, Inc. (CORSA) as of and for the years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise CORSA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audits. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audits to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to CORSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of CORSA's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CORSA as of April 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CORSA's basic financial statements. The statement of earned revenues, losses, and other expenses (net of reinsurance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

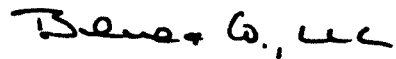
The statement of earned revenues, losses, and other expenses (net of reinsurance) is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of earned revenues, losses, and other expenses (net of reinsurance) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Board of Directors  
County Risk Sharing Authority, Inc.  
Page three

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CORSA's internal control over financial reporting and compliance.



Columbus, Ohio

July 29, 2013

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

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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, 2013, 2012 and 2011. 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, 2013, sixty-five (65) Ohio counties and nineteen (19) 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 2013-2012 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 Position, and the Statements of Cash Flows provide an indication of CORSA's financial health. The Statements of Net Position 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 Position 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 six 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 six years.

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

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**Financial Analysis of CORSA – Statements of Net Position**

Table 1 provides a summary of CORSA's Statements of Net Position as of April 30, 2013 and 2012.

Table 1:

	2013	2012	Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 9,743,864	\$ 16,006,835	\$ (6,262,971)
Receivables	926,709	883,737	42,972
Investments	81,671,053	74,345,613	7,325,440
Investment in LLC	964,642	905,176	59,466
CRL deposit	383,203	383,203	-
Property and equipment	94,697	92,056	2,641
Total assets	<u>\$ 93,784,168</u>	<u>\$ 92,616,620</u>	<u>\$ 1,167,548</u>
<b>Liabilities</b>			
Reserves for unpaid losses and loss adjustment expenses	\$ 20,500,000	\$ 22,450,000	\$ (1,950,000)
Deferred member contributions	8,009,844	12,008,949	(3,999,105)
Accrued expenses and other	125,606	260,299	(134,693)
Total liabilities	<u>\$ 28,635,450</u>	<u>\$ 34,719,248</u>	<u>\$ (6,083,798)</u>
<b>Net position</b>	<u>\$ 65,148,718</u>	<u>\$ 57,897,372</u>	<u>\$ 7,251,346</u>

Cash and cash equivalents were \$6,262,971 less on April 30, 2013 than on April 30, 2012. This decrease is due to the transfer of cash to investments during 2013.

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.

CORSA's investments increased by \$7,325,440 between 2012 and 2013. CORSA invested a large part of the 2012-2013 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 Position.

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

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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 \$964,642 at April 30, 2013 and \$905,176 at April 30, 2012.

CORSA's assets in total increased \$1,167,548 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 will be settled and reserves established by an independent actuary for the estimated future development of claims, and reserves for incurred but not reported claims. Total reserves decreased from \$22,450,000 in 2012 to \$20,500,000 in 2013, a decrease of \$1,950,000.

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 \$12,008,949 in 2012 to \$8,009,844 in 2013. This decrease in liabilities is due to less members paying their premiums prior to April 30 in 2013 than in 2012.

The difference between assets and liabilities, or net position, increased by \$7,251,346 from 2012 to 2013. The increase in net position is driven by the increase in investment value and a decrease in liabilities.

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

The following table presents the summarized financial position as of April 30, 2012 and 2011. More detailed information is available in the accompanying basic financial statement.

	2012	2011	Increase (Decrease)
<b>Assets</b>			
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	<u>\$ 92,616,620</u>	<u>\$ 84,670,202</u>	<u>\$ 7,946,418</u>
<b>Liabilities</b>			
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	<u>\$ 34,719,248</u>	<u>\$ 34,405,148</u>	<u>\$ 314,100</u>
<b>Net position</b>	<u>\$ 57,897,372</u>	<u>\$ 50,265,054</u>	<u>\$ 7,632,318</u>

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.

CORSA's investments increased \$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 Position.

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.

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

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

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The difference between assets and liabilities, or net position, 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.

**Financial Analysis – Statements of Revenues, Expenses and Changes in Net Position**

The following table presents the summarized results of operations for the fiscal years ended April 30, 2013 and 2012. More detailed information is available in the accompanying basic financial statements.

	2013	2012	Increase (Decrease)
<b>Operating revenues</b>			
Member contributions (less commercial insurance)	\$ 20,047,850	\$ 20,407,140	\$ (359,290)
Net investment income	5,120,725	4,091,857	1,028,868
Other	6,290	(24,335)	30,625
Total income	25,174,865	24,474,662	700,203
<b>Operating expenses</b>			
Loss and loss adjustment expenses	15,086,880	12,480,242	2,606,638
Benefit for insured events of prior years	(3,442,143)	(2,172,924)	(1,269,219)
Marketing, administrative, and other	6,278,782	6,535,026	(256,244)
Total expenses	17,923,519	16,842,344	1,081,175
<b>Change in net position</b>	7,251,346	7,632,318	\$ (380,972)
Net position at beginning of period	57,897,372	50,265,054	
Net position at end of period	\$ 65,148,718	\$ 57,897,372	

Total net operating revenues decreased from \$20,407,140 in 2012 to \$20,047,850 in 2013. Members' premiums decreased by 1%, and commercial insurance coverage (reinsurance) increased due to a property limit increase.

The other part of the CORSA's income is investment income. Investment income earned by CORSA, before realized and unrealized gains and losses, was about \$2.5 million in both 2013 and 2012. In 2013, there were \$2,012,518 in unrealized gains due mainly to the increase in the value of equities in the portfolio, and \$758,376 in realized gains mostly from the sale of fixed income securities.

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, reserves that have been established by adjustors for open claims that have occurred during the current year, and an independent actuary's estimate of future development of these claims as well as an estimate of first-party claims not reported yet for the current year.

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

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The benefit for insured events of prior years represents the changes in the amounts estimated to be paid for all program years prior to the current program year. The estimated losses as of April 30, 2013 for each year prior to April 30, 2013 were compared to the estimated losses as of April 30, 2012. The benefit represents the total change in estimate from the previous year. This year, there was a benefit attributable to prior years, indicating 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 the 2010-2011 year in Law Enforcement claims.

Due to an operating gain and a large net investment gain, CORSA realized an overall net gain of \$7,251,346. The net gain included a \$2,124,331 operating gain and a \$5,127,015 non-operating (investment) gain. CORSA's net position, also known as member equity, were \$65,148,718 as of April 30, 2013.

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)
<b>Operating revenues</b>			
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	24,474,662	26,014,814	(1,540,152)
<b>Operating expenses</b>			
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	16,842,344	13,354,528	3,487,816
<b>Change in net position</b>	7,632,318	12,660,286	<u>\$ (5,027,968)</u>
Net position at beginning of period	50,265,054	37,604,768	
Net position at end of period	\$ 57,897,372	\$ 50,265,054	

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 CORSA's income is investment income. Investment income earned by CORSA before unrealized gains and losses, increased by \$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)**

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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, 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 as well as an estimate of first party claims not reported yet for the current year. 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 estimated to be paid for all program years prior to the current program year. The estimated losses as of April 30, 2012 for each year prior to April 30, 2012 were compared to the estimated losses as of April 30, 2011. The benefit represents the total change in estimate from the previous year. For fiscal year 2011-2012, there was a benefit attributable to prior years, indicating a decrease in the estimated ultimate losses of previous years. The decrease is due to better than expected experience in previous year's 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 position, also known as member's equity, were \$57,897,372 as of April 30, 2012.

**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 \$4,009,682 in 2012 compared to (\$4,022,403) in 2013. 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 2012-2013 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 (\$81,514) in 2012 to (\$22,751) in 2013. Net cash consumed from investment activities changed from (\$2,228,626) in 2012 to (\$2,217,817) in 2013.



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

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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.

Cash generated from capital and financing activities changed from \$0 in 2011 to (\$81,514) in 2012. Net cash consumed from investment activities changed from (\$6,349,013) in 2011 to (\$2,228,626) in 2012.

**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. 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.

**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 POSITION APRIL 30, 2013 AND 2012

<b>ASSETS</b>		2013	2012
<b>Current assets</b>			
Cash and cash equivalents		\$ 9,743,864	\$ 16,006,835
Receivables:			
Member deductibles receivable		539,107	459,109
Other receivable		33,055	30,007
Accrued interest receivable		354,547	394,621
Total current assets		10,670,573	16,890,572
<b>Investments</b>		81,671,053	74,345,613
<b>Investment in LLC</b>		964,642	905,176
<b>Property and equipment</b>			
Furniture and fixtures		62,103	62,103
Computer and equipment		19,285	21,198
Claims system		80,838	80,838
Vehicles		159,426	163,241
Total property and equipment		321,652	327,380
Accumulated depreciation		(226,955)	(235,324)
Property and equipment, net		94,697	92,056
<b>CRL deposit</b>		383,203	383,203
Total		\$ 93,784,168	\$ 92,616,620
<b>LIABILITIES AND NET POSITION</b>			
<b>Current liabilities</b>			
Reserves for unpaid losses and loss adjustment expenses		\$ 20,500,000	\$ 22,450,000
Deferred member contributions		8,009,844	12,008,949
Accrued expenses and other		125,606	260,299
Total liabilities		28,635,450	34,719,248
<b>Net position</b>			
Net position - unrestricted		65,054,021	57,805,316
Net position - invested in capital assets net of related debt		94,697	92,056
Total net position		65,148,718	57,897,372
Total liabilities and net position		\$ 93,784,168	\$ 92,616,620

*See accompanying notes to financial statements.*

## COUNTY RISK SHARING AUTHORITY, INC.

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

	2013	2012
<b>Operating revenues</b>		
Member contributions	\$ 23,405,531	\$ 23,619,281
Less commercial insurance coverages	3,357,681	3,212,141
Total operating revenues	20,047,850	20,407,140
<b>Operating expenses</b>		
Loss and loss adjustment expenses	15,086,880	12,480,242
Benefit for insured events of prior years	(3,442,143)	(2,172,924)
Brokerage fees	275,000	275,000
Agent fees	1,387,962	1,373,747
Depreciation	20,110	33,274
Distribution to members	1,600,000	1,598,836
Special program expenses	570,757	863,600
General and administrative expenses	2,424,953	2,390,569
Total expenses	17,923,519	16,842,344
<b>Operating gain</b>	2,124,331	3,564,796
<b>Non-operating (expenses) income</b>		
Investment income	2,623,816	2,544,308
Unrealized gain on investments	1,912,119	910,722
Gain/(Loss) on sale of investments	758,376	805,575
Other income	5,115	1,890
Gain (Loss) on investment in LLC	1,175	(26,225)
Investment fees	(173,586)	(168,748)
Non-operating income - net	5,127,015	4,067,522
<b>Change in net position</b>	7,251,346	7,632,318
<b>Net position at beginning of period</b>	57,897,372	50,265,054
<b>Net position at end of period</b>	\$ 65,148,718	\$ 57,897,372

*See accompanying notes to financial statements.*

# COUNTY RISK SHARING AUTHORITY, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

	2013	2012
<b>Operating activities</b>		
Cash received from members and other parties	\$ 19,323,380	\$ 23,500,659
Cash paid for commercial insurance	(3,357,681)	(3,212,141)
Cash paid for claims	(13,594,737)	(9,937,318)
Cash paid for other expenses	(6,393,365)	(6,341,518)
Net cash flows from operating activities	(4,022,403)	4,009,682
<b>Capital and related financing activities</b>		
Disposal of capital assets	-	7,889
Purchase of capital assets	(22,751)	(89,403)
Net cash flows from capital and related financing activities	(22,751)	(81,514)
<b>Investing activities</b>		
Change in investments	(7,383,731)	(6,284,029)
Interest received on investment and cash equivalents	5,165,914	4,055,403
Net cash flows from investing activities	(2,217,817)	(2,228,626)
Net change in cash and cash equivalents	(6,262,971)	1,699,542
<b>Cash and cash equivalents - beginning of period</b>	16,006,835	14,307,293
<b>Cash and cash equivalents - end of period</b>	\$ 9,743,864	\$ 16,006,835
<b>Reconciliation of change in net position to net cash flows from operating activities:</b>		
Operating gain	\$ 2,124,331	\$ 3,564,796
Adjustments to reconcile to operating gain net cash from operating activities:		
Depreciation	20,110	33,274
Member deductibles receivable	(79,998)	126,151
Member contributions receivable	(3,048)	(28,639)
Unpaid losses and loss adjustment expenses	(1,950,000)	370,000
Deferred member contributions	(3,999,105)	(216,134)
Accrued expenses and other	(134,693)	160,234
Net cash from operating activities	\$ (4,022,403)	\$ 4,009,682

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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### 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, 2013, sixty-five (65) Ohio counties and nineteen (19) county facilities were members of CORSA. The CCAO and its related entities were also members of CORSA during the 2012 and 2013 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](http://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 Presentation

CORSA uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

#### Newly Effective Accounting Standards

During 2012, CORSA adopted Statement of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of GASB No. 20 for business-type activities to apply post November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. GASB No. 62 has been applied retrospectively and had no impact on CORSA's net position, changes in net position, cash flows or financial reporting disclosures.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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Also during 2012, CORSA adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, which primarily resulted in renaming net assets to net position within the financial statements. GASB No. 63 has been applied retroactively in the accompanying financial statements.

### 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 have 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.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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### 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. 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 position. All of CORSA's investments are subject to market risk and fair value changes over time could be significant.

### 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 Position

Net position represents 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.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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

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

As of April 30, 2013 and 2012, CORSA does not have any "restricted" net position. The CORSA Board of Directors may authorize the distribution of the net position to those members who constituted the self-insurance pool during the years when such net position were earned, provided that such members must also be members of CORSA in the year in which said distribution is made.

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

### Risk Management

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

### Subsequent Events

CORSA has evaluated events or transactions occurring subsequent to the statement of net assets date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is July 29, 2013 and has determined there were no material subsequent events or transactions.



# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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### 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.

#### *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, 2013, the carrying amount of CORSA's cash and cash equivalents was \$9,743,864. 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, 2013 and 2012, 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, 2013, the carrying amount of CORSA's investments was \$81,671,053. 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.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

The following table presents CORSA's investment holdings as of April 30, 2013.

Investment Type	Fair Value	Not rated	AAA	AA, A, Agy and BBB
US treasury bonds	\$ 10,019,210	\$ -	\$ 10,019,210	\$ -
Mutual funds	20,212,520	20,212,520	-	-
Asset-backed bonds	31,084,884	-	31,084,884	-
Corporate bonds	18,609,130	-	-	18,609,130
Municipal bonds	1,745,309	-	330,065	1,415,244
<b>Total investments</b>	<b>\$ 81,671,053</b>	<b>\$ 20,212,520</b>	<b>\$ 41,434,159</b>	<b>\$ 20,024,374</b>

The following table presents CORSA's investment holdings as of April 30, 2012.

Investment Type	Fair Value	Not rated	AAA	AA, A and BBB
US treasury bonds	\$ 9,082,782	\$ -	\$ 9,082,782	\$ -
Mutual funds	15,509,330	15,509,330	-	-
Asset-backed bonds	30,048,567	-	30,048,567	-
Corporate bonds	17,400,399	-	-	17,400,399
Municipal bonds	2,304,535	-	310,965	1,993,570
<b>Total investments</b>	<b>\$ 74,345,613</b>	<b>\$ 15,509,330</b>	<b>\$ 39,442,314</b>	<b>\$ 19,393,969</b>

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 following table presents CORSA's bond investments as of April 30, 2013 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	\$ 10,019,210	\$ 1,212,709	\$ 2,294,426	\$ 3,494,685	\$ 3,017,390
Asset-backed bonds	31,084,884	-	5,238,805	1,492,887	24,353,192
Corporate bonds	18,609,130	-	4,935,164	11,086,755	2,587,211
Municipal bonds	1,745,309	-	457,212	416,581	871,516
<b>Total bonds</b>	<b>\$ 61,458,533</b>	<b>\$ 1,212,709</b>	<b>\$ 12,925,607</b>	<b>\$ 16,490,908</b>	<b>\$ 30,829,309</b>

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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	<u>\$ 58,836,283</u>	<u>\$ 700,329</u>	<u>\$ 9,884,212</u>	<u>\$ 17,087,198</u>	<u>\$ 31,164,544</u>

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

#### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation 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). The three levels of the fair value hierarchy are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CORSA has the ability to access.

*Level 2:* Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

There were no transfers between hierarchy levels during 2013 and 2012. CORSA's policy is to recognize transfers between levels as of the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2013 and 2012.

*Mutual Funds:* Valued at the daily closing prices as reported by the fund. Mutual funds held by CORSA are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by CORSA are deemed to be actively traded.

*Bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Assets and liabilities measured at fair value on a recurring basis as of April 30, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Asset-backed bonds	\$ -	\$ 31,084,884	\$ -	\$ 31,084,884
US treasury bonds	-	10,019,210	-	10,019,210
Municipal bonds	-	1,745,309	-	1,745,309
Corporate bonds	-	18,609,130	-	18,609,130
<b>Mutual funds:</b>				
Large cap	10,467,750	-	-	10,467,750
International	4,960,455	-	-	4,960,455
Fixed income	4,784,315	-	-	4,784,315
<b>Total assets at fair value</b>	<b>\$ 20,212,520</b>	<b>\$ 61,458,533</b>	<b>\$ -</b>	<b>\$ 81,671,053</b>

Assets and liabilities measured at fair value on a recurring bases as of April 30, 2012 are as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
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
<b>Mutual funds:</b>				
Large cap	8,423,039	-	-	8,423,039
International	3,142,106	-	-	3,142,106
Fixed income	3,944,185	-	-	3,944,185
<b>Total assets at fair value</b>	<b>\$ 15,509,330</b>	<b>\$ 58,836,283</b>	<b>\$ -</b>	<b>\$ 74,345,613</b>

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

### 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, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Unpaid losses and loss adjustment expenses, beginning of the fiscal year	\$ 22,450,000	\$ 22,080,000
Incurred losses and loss adjustment expenses:		
Provision of insured events of the current fiscal year	15,086,880	12,480,242
Benefit for insured events of prior fiscal years	<u>(3,442,143)</u>	<u>(2,172,924)</u>
Total incurred losses and loss adjustment expenses	<u>11,644,737</u>	<u>10,307,318</u>
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	5,057,937	3,035,505
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	<u>8,536,800</u>	<u>6,901,813</u>
Total payments	<u>13,594,737</u>	<u>9,937,318</u>
Total unpaid losses and loss adjustment expenses, end of the fiscal year	<u>\$ 20,500,000</u>	<u>\$ 22,450,000</u>

### 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 2013 and 2012. The exception was \$2,000,000 for the general liability and medical professional liability for county homes, \$1,000,000 for medical professional liability for jail physicians and \$50,000 for equipment breakdown/boiler claims. As of April 30, 2013, CORSA provided liability coverage for 21 county homes with 10 being certified as Medicare/Medicaid care, and the remaining being assisted living facilities.

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 \$11,000,000.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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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 \$3,357,681 and \$3,212,141 for fiscal years 2013 and 2012, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$626,726 and \$20,225 for fiscal years 2013 and 2012, respectively.

### 7. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2013, was as follows:

	April 30, 2012	Additions	Deductions	April 30, 2012
Capital assets being depreciated:				
Furniture and fixtures	\$ 62,103	\$ -	\$ -	\$ 62,103
Computer and equipment	21,198	-	1,913	19,285
Claims systems	80,838	-	-	80,838
Vehicles	163,241	22,751	26,566	159,426
	<hr/>	<hr/>	<hr/>	<hr/>
Total property and equipment	327,380	22,751	28,479	321,652
Less accumulated depreciation:				
Furniture and fixtures	60,387	721	-	61,108
Computer and equipment	21,197	-	1,913	19,284
Claims systems	80,839	-	-	80,839
Vehicles	72,901	19,389	26,566	65,724
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	235,324	20,110	28,479	226,955
Total capital assets being depreciated - net	<u>\$ 92,056</u>	<u>\$ 2,641</u>	<u>\$ -</u>	<u>\$ 94,697</u>

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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

	<u>April 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>April 30, 2012</u>
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				
	309,057	89,403	71,080	327,380
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				
	265,241	33,274	63,191	235,324
Total capital assets being depreciated - net	<u>\$ 43,816</u>	<u>\$ 56,129</u>	<u>\$ 7,889</u>	<u>\$ 92,056</u>

### 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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if an uncertain position has been taken that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by CORSA and has concluded that as of April 30, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### 9. COMMITMENTS

CORSA, CEBCO, and CCAO committed to pay \$250,000 to County Governance Facility LLC, for maintenance, repairs, and up-keep relating to their property during 2013. CORSA's portion of this commitment to be paid in fiscal year 2014 is \$94,515.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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### 10. 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 \$96,293 and \$99,927 was incurred by CORSA for fiscal years ended April 30, 2013 and 2012, 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 \$17,246 and \$16,727 was incurred by CORSA for fiscal years ended April 30, 2013 and 2012, respectively.

### 11. RELATED PARTY

During the 2013 and 2012 fiscal years, CORSA paid \$1,773,552 and \$1,737,245, respectively, to CCAO for management, legislative, and administrative services. CORSA's accounts payable to CCAO as of April 30, 2013 and 2012 was \$2,850 and \$1,540, respectively.

### 12. 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 (gain)/loss was (\$1,175) and \$26,225 as of April 30, 2013 and 2012.



**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 years incurred claims increased or decreased as of the end of successive years. These annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known related to property claims. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. (6) This section shows the decrease in estimate between the years.

	April 30, 2008	April 30, 2009	April 30, 2010	April 30, 2011	April 30, 2012	April 30, 2013
(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	\$ 25,348,450
(2) Unallocated expenses	7,319,657	7,102,200	7,592,856	6,275,407	6,729,999	6,452,368
(3) Estimated losses/LAE	16,595,959	15,856,785	14,413,083	13,217,939	12,480,242	15,086,880
(4) Paid:						
End of policy year	4,366,627	4,949,790	3,746,175	3,002,120	3,035,505	5,057,937
One year later	9,780,937	7,808,885	6,655,871	7,271,874	6,865,094	-
Two years later	11,054,653	10,043,440	7,079,093	9,045,134	-	-
Three years later	11,635,469	11,006,656	7,997,247	-	-	-
Four years later	12,369,186	12,605,162	-	-	-	-
Five years later	12,554,834	-	-	-	-	-
(5) Re-estimated losses/LAE						
End of policy year	16,595,959	15,856,785	14,413,083	13,217,939	12,480,242	15,086,880
One year later	16,501,112	14,529,964	10,689,509	13,133,778	12,624,085	-
Two years later	14,518,167	14,732,020	9,226,352	11,548,166	-	-
Three years later	13,405,412	14,182,062	8,575,783	-	-	-
Four years later	12,856,139	13,296,436	-	-	-	-
Five years later	12,958,086	-	-	-	-	-
(6) Decrease in estimate from previous year	101,947	(885,626)	(650,569)	(1,585,612)	143,843	-
(7) Decrease in estimate from original year	\$ (3,637,873)	\$ (2,560,349)	\$ (5,837,300)	\$ (1,669,773)	\$ (143,843)	\$ -

\* The above schedule is not on a 10 year basis due to a change in 2008 from a policy year basis to a claims made basis.

See report of independent auditors on page 1.



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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of County Risk Sharing Authority, Inc. (CORSA) as of and for the years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise CORSA's basic financial statements have issued our report thereon dated July 29, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered CORSA's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of CORSA's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of CORSA's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether CORSA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of CORSA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering CORSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bene G., LLC*

July 29, 2013



# 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  
OCTOBER 22, 2013**