SCHOOLS OF OHIO RISK SHARING AUTHORITY

FINANCIAL STATEMENTS

AND

SUPPLEMENTAL SCHEDULES

JUNE 30, 2013 AND 2012

CPAS / ADVISORS

blue

Dave Yost • Auditor of State

Board of Directors
School of Ohio Risk Sharing Authority
8050 North High Street, Suite 160
Columbus, Ohio 43235

We have reviewed the *Report of Independent Auditors* of the School of Ohio Risk Sharing Authority, Franklin County, prepared by Blue & Co., LLC, for the audit period July 1, 2012 through June 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 School of Ohio Risk Sharing Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 26, 2013

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SCHOOLS OF OHIO RISK SHARING AUTHORITY

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Schools of Ohio Risk Sharing Authority
Columbus, Ohio

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Schools of Ohio Risk Sharing Authority ("SORSA"), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 presents fairly, in all material respects, the financial position of SORSA as of June 30, 2013 and 2012, and its results of operations, changes in net position and cash flows for the years then ended in conformity with 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, reconciliation of claims liability by type of contract, and claims development, listed in the table of contents, to supplement the basis 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of SORSA'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 SORSA's internal control over financial reporting and compliance.

Columbus, Ohio
October 18, 2013

SCHOOLS OF OHIO RISK SHARING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of Schools of Ohio Risk Sharing Authority (SORSA) provides an overall review of SORSA's financial activities. The intent of this discussion and analysis is to provide further information on SORSA'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 SORSA's financial performance.

Overview of the Organization

SORSA is a 100% member-owned, non-profit insurance risk pool owned and governed by school district members. SORSA is dedicated to providing broad insurance coverage and high quality risk management services while maintaining long-term financial stability. Various plan options are available to members. SORSA was incorporated on January 31, 2002. Operations and plan coverage officially began on February 1, 2002.

SORSA employs a full-time Executive Director and a part-time Member Services Coordinator.

At June 30, 2013, 2012, and 2011, SORSA had 106, 98, and 95 members, respectively.

SORSA has agreements with several separate organizations whereby each provides certain administrative, legal, executive, accounting or other services to SORSA.

The insurance brokerage firm of Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing and consulting services.

York Risk Services Group provides claims processing services to SORSA.

The Verhoff Group provides bookkeeping, payroll, consulting and accounting services to SORSA. The Verhoff Group records and tracks accounts receivable from billings to SORSA members for annual premiums and monitors and maintains several bank accounts in the name of SORSA. The Verhoff Group also furnishes SORSA bank reconciliations for these accounts.

SORSA contracts with the law firm Isaac, Brant, Ledman & Teetor to provide lead defense counsel for third-party claims against members. Additional legal firms are contracted as needed against SORSA members.

SORSA contracts with the law firm Peck, Shaffer, & Williams to provide legal counsel to the SORSA Board of Directors.

Actuarial services are provided by the firm SIGMA Actuarial Consulting Services, Inc.

Marketing of the SORSA program is by a selected panel of local independent insurance agents across Ohio along with SORSA's own internal staff.

Property replacement cost appraisals are provided by the firm American Appraisal Associates.

Risk management consulting services are provided by KLA Risk Consulting, Inc.

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

Financial Analysis of SORSA

Table 1 provides a summary of SORSA's Statement of Net Position as of June 30, 2013, 2012, and 2011.

Table 1:

	6/30/13	6/30/12	6/30/11
Assets			
Current assets	$ 1,628,644	$ 1,713,527	$ 2,135,380
Other assets	467,571	426,060	328,946
Total assets	2,096,215	2,139,587	2,464,326
Liabilities	1,504,519	1,767,481	1,518,850
Net position	$ 591,696	$ 372,106	$ 945,476

SORSA's assets are categorized in the "current assets" category and the "other assets" category. The current assets category means that they are either cash, can be converted to cash quickly, or are expected to become cash soon. The statement shows SORSA's total current assets at June 30, 2013, 2012, and 2011 to be $1,628,644, $1,713,527 and $2,135,380, respectively. The primary component is cash in banks and investments. Assets in the other assets category are $467,571, $426,060, and $328,946 at June 30, 2013, 2012, and 2011, respectively.

The current liabilities include accounts payable to outside companies for various services, unearned premiums, and reserves for unpaid claims. Accounts payable totaled $22,916, $18,877, and $17,922 at June 30, 2013, 2012, and 2011 respectively. Unearned premiums totaled $115,130, $501,271, and $305,009 at June 30, 2013, 2012, and 2011, respectively. Unearned premium is the amount of premiums collected in advance of coverage periods that have been received but have not yet been earned. The reserve for unpaid claims totaled $1,366,473, $1,247,333 and $1,195,919 at June 30, 2013, 2012 and 2011, respectively.

As of June 30, 2013, 2012, and 2011, SORSA had a net position of $591,696, $372,106, and $945,475 respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The following table shows the changes in net position for the years ended June 30, 2013, 2012, and 2011.

Table 2:

	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Revenues			
Member premiums	$ 4,590,052	$ 3,881,485	$ 3,415,944
Ceded premiums	(2,059,895)	(1,791,485)	(1,635,933)
Net premiums earned	2,530,157	2,090,000	1,780,011
Expenses			
Loss adjustments	1,345,117	1,727,827	1,191,821
Agency commission	369,901	338,713	294,354
Claims administration	142,928	144,379	126,531
Pool administration	193,068	194,755	172,498
Salaries and benefits	172,913	169,962	169,939
Legal and professional	48,745	52,206	54,404
General and administrative	73,543	80,262	78,060
Travel and meetings	22,261	18,961	17,865
Appraisal fees	3,640	220	29,550
General insurance	9,820	10,024	8,154
Sales and marketing	13,264	13,809	17,745
Depreciation	586	1,733	2,539
Total expenses	2,395,786	2,752,851	2,163,460
Operating income (loss)	134,371	(662,851)	(383,449)
Other revenue			
Non-operating gains (net)	85,219	89,481	60,114
Change in net position	219,590	(573,370)	(323,335)
Net position at beginning of period	372,106	945,476	1,268,811
Net position at end of period	$ 591,696	$ 372,106	$ 945,476

Member premiums represent the amount of premium revenue earned during the fiscal period. SORSA purchases reinsurance to cover the cost of large claims. For property and automobile physical damage claims, SORSA collectively self-insures the first $100,000 of each claim; the reinsurer reimburses amounts above this level. For third-party liability claims other than Uninsured/Underinsured Motorists coverage SORSA collectively self-insures the first $100,000 of each claim. For third-party Uninsured/Underinsured Motorists coverage, SORSA collectively self-insures the first $200,000 of each claim. For equipment breakdown claims, SORSA reinsures 100% of this exposure and does not retain any level of self-insurance.

Non-operating gains consist of the interest earned on SORSA's various checking and investment accounts. For the fiscal period ending June 30, 2013, 2012 and 2011, SORSA held its funds in either fixed income federal obligations, certificates of deposits, or various liquid cash accounts.

Loss adjustment expenses consist of claims paid during the year, plus the ultimate cost of claims determined to be incurred for the current year but not yet reported.

Claims administration and reinsurance broker fees are fees paid to vendors who process claims and provide underwriting, rating, billing, reinsurance brokering and consulting services for SORSA. Other expenses are general and administrative costs incurred during the year.

SORSA's change in net position was $219,590, ($573,370), and ($323,335), for the years ending June 30, 2013, 2012, and 2011, respectively. An increase over the prior two years is due to positive operating results.

The Statement of Cash Flows

This statement shows how SORSA's cash balance changed in each period. It is divided into three different sections, each indicating the source or use of cash during the period. These sections relate to SORSA's operations, investing activities, and capital and related financing activities. This statement provides detail regarding the increases and decreases in SORSA's cash position during the period.

SORSA had net cash flows for the years ended June 30, 2013, 2012, and 2011, totaling ($409,091), ($412,820), and $1,210,037, respectively. For these years the net cash expended by operating activities was $663,055, $684,956, and $461,517, respectively. Net cash flows provided by operating activities changed mainly due to operating income (loss).

For these years net cash provided by investing activities was $253,964, $272,136, and $1,671,554, respectively. Net cash flows provided by investing activities changed mainly due to the sale of investments.

Going Forward

Insurance Market for Ohio School Districts

The environment in which SORSA operates is moderately competitive. There are options available to school districts for both pooling alternatives as well as traditional insurance. While pricing in the insurance market for schools has been stable for several years, changes are underway that will tend to increase pricing for all Ohio schools. Recent deterioration in weather patterns across Ohio has increased claim frequency and severity.

Funding

SORSA consults with professional actuaries to assist with the determination of the amount needed to fund the $100,000 pool self-insured retention. Because of an upward trend in claims, primarily property related, the SORSA Board of Directors has opted to fund at an increased confidence level. This selection of a higher actuarial confidence level provides additional loss fund contributions to support the increase in claims activity.

Member Dividends

In order to maintain conservative funding for the SORSA pool, the Board of Directors has taken the position that there will be no dividends declared for distribution to members during the first several program years. When the SORSA Board of Directors determines that a dividend may be declared, SORSA will rely upon conservative actuarial estimates to formulate the plan for dividend distribution.

Cost Containment

SORSA endeavors to contain loss costs by utilizing claims administrators and defense attorneys who are very experienced in handling third-party liability cases for political subdivisions, and by full utilization of statutory immunities available to our members.

SORSA also engages in several risk management and loss control training programs. These include training in the areas of student transportation, school athletics safety, employment practices, sexual molestation prevention and other topics of concern to k-12 public schools.

SORSA manages operational expenses as the pool has grown. Expenses have been reduced as a result of a reduction of loss adjustments.

Legal Environment

The legal environment in which SORSA operates is relatively stable, with recent modest improvements in statutory immunity for school districts and other political subdivisions.

Contacting SORSA Financial Management

This financial report is designed to provide the users of SORSA's services, governments, taxpayers and creditors with a general overview of the organization's finances. If you have any questions about this report or need additional information, contact the SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	$ 754,226	$ 1,163,317
Accounts receivable	834,513	261,937
Investments	-	250,728
Prepaid assets	39,905	37,545
Total current assets	1,628,644	1,713,527
Other assets		
Prepaid assets	-	39,886
Capital assets, net	2,131	2,717
Other receivable	465,440	383,457
Total other assets	467,571	426,060
Total assets	$ 2,096,215	$ 2,139,587

LIABILITIES AND NET POSITION

	2013	2012
Current liabilities		
Accounts payable	$ 22,916	$ 18,877
Unearned premium	115,130	501,271
Reserve for unpaid claims	1,366,473	1,247,333
Total liabilities	1,504,519	1,767,481
Net position		
Unrestricted	589,565	369,389
Net investment in capital assets	2,131	2,717
Total net position	591,696	372,106
Total liabilities and position	$ 2,096,215	$ 2,139,587

See accompanying notes to financial statements.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

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

	2013	2012
Revenues		
Member premiums	$ 4,590,052	$ 3,881,485
Ceded premiums	(2,059,895)	(1,791,485)
Net premiums earned	2,530,157	2,090,000
Expenses		
Loss adjustments	1,345,117	1,727,827
Agency commission	369,901	338,713
Claims administration	142,928	144,379
Pool administration	193,068	194,755
Salaries and benefits	172,913	169,962
Legal and professional	48,745	52,206
General and administrative	73,543	80,262
Travel and meetings	22,261	18,961
Appraisal fees	3,640	220
General insurance	9,820	10,024
Sales and marketing	13,264	13,809
Depreciation	586	1,733
Total expenses	2,395,786	2,752,851
Operating income (loss)	134,371	(662,851)
Other revenue		
Non-operating gains	85,219	89,481
Change in net position	219,590	(573,370)
Net position at beginning of period	372,106	945,476
Net position at end of period	$ 591,696	$ 372,106

See accompanying notes to financial statements.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

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

	2013	2012
Operating activities		
Cash received for premiums	$ 3,631,335	$ 3,836,981
Cash paid for claims	(1,225,977)	(1,676,413)
Cash payments to vendors for services and goods	(835,605)	(884,077)
Cash paid for excess insurance	(2,059,895)	(1,791,485)
Cash paid to employees for wages and benefits	(172,913)	(169,962)
Net cash flows from operating activities	(663,055)	(684,956)
Investing activities		
Other receivable	(81,983)	(67,154)
Sales of investments	335,947	339,290
Net cash flows from investing activities	253,964	272,136
Net change in cash and cash equivalents	(409,091)	(412,820)
Cash and cash equivalents - beginning of period	1,163,317	1,576,137
Cash and cash equivalents - end of period	$ 754,226	$ 1,163,317
Reconciliation of change in net position to net cash flows from operating activities:		
Operating income (loss)	$ 134,371	$ (662,851)
Depreciation	586	1,733
Changes in operating assets and liabilities		
Accounts receivable	(572,576)	(240,766)
Prepaid assets	37,526	(31,703)
Accounts payable	4,039	955
Unearned premium	(386,141)	196,262
Reserve for unpaid claims	119,140	51,414
Net cash provided by operating activities	$ (663,055)	$ (684,956)

See accompanying notes to financial statements.

1. ORGANIZATION AND PLAN OF OPERATION

The Schools of Ohio Risk Sharing Authority (SORSA) is an Ohio non-profit organization formed by Ohio school districts to provide cost effective pooled insurance to its members. SORSA is a self-funded, group insurance consortium that offers property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage, and school board errors and omissions insurance coverage. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

Premiums are paid on an annual basis. Pursuant to participation agreements with SORSA, each member agrees to pay all funding rates associated with the coverage elected; as such funding rates are set and billed to the members by SORSA. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claims costs, and reserves. Reserves are determined by an independent actuary and allocated based on expected claim activity. Rates are calculated to cover the administrative expenses and expected claims costs of the program as well as provide additional member equity.

SORSA was incorporated as a governmental insurance pool on January 31, 2002. Operations and plan coverage officially began on February 1, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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 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 estimates.

Newly Effective Accounting Standard

During 2013, SORSA adopted Statement of Governmental Accounting Standards Board (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 balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds on deposits in banks and money market funds. SORSA maintains cash balances which are in excess of those insured by the Federal Depository Insurance Corporation. However, to date, no losses have been experienced.

Investments

Investment income or loss (including realized gains and losses on investments, interest and dividends) is recognized in the statement of revenues, expenses and changes in net position as a component of other revenue.

Capital Assets

SORSA's capital assets are reported at historical cost net of depreciation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. SORSA's capitalization policy is to capitalize all items greater than $500 with a useful life greater than one year. SORSA's capital assets consist of fixtures and are depreciated over a five year useful life.

Accounts Receivable

SORSA pays third party claims at their full value and then bills members for their deductible portion. Accounts receivable is recognized when a deductible is due. Based on historical factors and SORSA's allowance experience, no allowance for uncollectible receivables have been reserved.

Premiums Revenue and Unearned Premiums

Premiums are paid annually by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

Reserve for Unpaid Claims

SORSA's reserve for unpaid claims is determined using estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. The reserve represents an estimate of the ultimate cost of all claims incurred which were unpaid at each fiscal period end. While information is available for the known losses, the liability for which has been established on a case-by-case basis, the unknown losses are based on SORSA's best estimate of such liabilities. Although SORSA considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary and ultimate losses may differ significantly from amounts projected. The effects of changes in reserve estimates are included in the statement of revenues, expenses, and changes in net position in the period in which estimates are changed. Reserves are not discounted.

Other Assets

Other assets represent SORSA's ownership interest in a subscriber's account with United Educators. 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.

Net Position

Net position represents the excess of revenues over expenses since inception. It is displayed in two components as follows:

Net investment in capital assets – 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 improvement of those assets.

Unrestricted – This consists of net assets that do not meet the definition of "net investment in capital assets".

As of June 30, 2013, and 2012, SORSA does not have any "restricted" net position. The SORSA 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 SORSA in the year in which said distribution was made.

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

Income Taxes

SORSA is organized as a not-for-profit corporation under Section 501(c) (3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by SORSA and recognize a tax liability if SORSA has taken an uncertain position 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 SORSA, and has concluded that as of June 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.

SORSA is generally exempt from income taxes. SORSA is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

Subsequent Events

SORSA has evaluated events or transactions occurring subsequent to June 30, 2013 for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is October 18, 2013.

Risk Management

SORSA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

3. RESERVE FOR UNPAID CLAIMS

As discussed in footnote 2, SORSA establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those liabilities for SORSA:

	2013	2012
Unpaid claims and claim adjustment expenses at beginning of period	$ 1,247,333	$ 1,195,919
Incurred losses and loss adjustment expense	1,345,117	1,727,827
Less payment of claims	1,225,977	1,676,413
Unpaid claims and claim adjustment expenses at end of period	$ 1,366,473	$ 1,247,333

4. DEPOSITS

At June 30, 2013 and 2012, the bank balance of SORSA's demand deposits and money market accounts totaled $773,141 and $1,455,075, respectively. Of this balance, $254,305 and $258,324, respectively, was covered by federal depository insurance.

At June 30, 2012, SORSA had the following investments and maturities, all of which were held in SORSA's name by custodial banks that are agents of SORSA:

Investment	Fair Value	Maturities < than 1 year	Maturities 1 - 5 years	As part of Total Investments
Certificates of deposit	250,728	250,728	-	100%

Interest rate risk – SORSA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Concentration of credit risk – SORSA places no limit on the amount it may invest in any one issuer. SORSA maintains its investments, which at times may exceed federally insured limits. SORSA has not experienced any losses in such accounts. SORSA believes it is not exposed to any significant credit risk on investments.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, SORSA's deposits may not be returned. As of June 30, 2013 and 2012, respectively, $518,836 and $1,196,751 of SORSA's bank balance was exposed to custodial credit risk. SORSA understands this and has reduced its exposure by adopting an investment policy in accordance with Chapter 135 of the Ohio Revised Code applicable to public schools in the State of Ohio and has obtained collateral agreements with its banks and investment firm.

5. 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 SORSA 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.

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 June 30, 2013 and 2012.

Money market funds: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

The following table sets forth by level, within the hierarchy, SORSA's assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 are as follows:

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 454,976	$ -	$ 454,976

The following table sets forth by level, within the hierarchy, SORSA's assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 are as follows:

Description	Level 1	Level 2	Level 3	Total
Money market funds	-	603,402	-	603,402

SORSA's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no significant transfers between levels during 2013 or 2012.

6. CAPITAL ASSETS

Capital assets at June 30, 2013 and 2012 were as follows:

	2012	Additions	Retirements	2013
Furniture and fixtures	$ 25,493	$ -	$ -	$ 25,493
Less: accumulated depreciation	22,776	586	-	23,362
Capital assets, net	$ 2,717	$ 586	$ -	$ 2,131

	2011	Additions	Retirements	2012
Furniture and fixtures	$ 25,493	$ -	$ -	$ 25,493
Less: accumulated depreciation	21,043	1,733	-	22,776
Capital assets, net	$ 4,450	$ 1,733	$ -	$ 2,717

7. EXCESS INSURANCE COVERAGE

SORSA purchases reinsurance to cover the cost of large claims. For property and automobile physical damage claims SORSA collectively self-insures the first $100,000 of each claim; the reinsurer reimburses amounts above this level. For third-party liability claims other than Uninsured/Underinsured Motorists coverage SORSA collectively self-insures $100,000 of each claim; the reinsurer reimburses amounts above this level. For third-party Uninsured/Underinsured Motorists coverage, SORSA collectively self-insures the first $200,000 of each claim. For equipment breakdown claims SORSA reinsures 100% of this exposure and does not retain any level of self-insurance.

8. COMMITMENTS AND CONTINGENCIES

SORSA leases office space from Ohio School Boards Association. Rent expense under the lease was $27,839 and $27,571 for 2013 and 2012, respectively.

Approximate future annual minimum lease payments under the lease are as follows:

2014	$	16,032
2015		8,016
	$	24,048

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS OF OHIO RISK SHARING AUTHORITY

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT
YEARS ENDED JUNE 30, 2013 AND 2012

The schedule below presents the changes in claims liabilities for SORSA's contracts for the periods ending June 30, 2013 and June 30, 2012.

	Property and Liability
June 30, 2013	
Unpaid losses and loss adjustment expenses, beginning of fiscal period	$ 1,247,333
Plus: Incurred losses and loss adjustment expenses	
Provision for insured events of the period	1,345,117
Less: Payments	
Benefits attributable to insured events	1,225,977
Total unpaid losses and loss adjustment expenses, end of fiscal period	$ 1,366,473

	Property and Liability
June 30, 2012	
Unpaid losses and loss adjustment expenses, beginning of fiscal period	$ 1,195,919
Plus: Incurred losses and loss adjustment expenses	
Provision for insured events of the period	1,727,827
Less: Payments	
Benefits attributable to insured events	1,676,413
Total unpaid losses and loss adjustment expenses, end of fiscal period	$ 1,247,333

See report of independent auditors on page 1.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

CLAIMS DEVELOPMENT
YEARS ENDED JUNE 2004 THROUGH 2013

Ten Year Claims Development Information

The following table illustrates how SORSA's earned revenues and investment income compare to related costs of loss and other expenses assumed by SORSA. The rows of the table are defined as follows:

1) This section shows the total of each fiscal year's earned contract revenues and investment revenues.

2) This line shows each fiscal year's other operating costs of SORSA including overhead and claims expense not allocable to individual claims.

3) This section shows SORSA's 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 policy year).

4) This section of rows show the cumulative amounts paid as of the end of successive years for each policy year.

5) This section of rows shows how each policy years incurred claims increased or decreased as of the end of the successive years. This annual re-estimation result from new information received on known claims, reevaluation 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 the latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between the original estimated 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.

Note: The following table only presents years 2004 through current as SORSA's activity prior to 2004 was under a calendar year-end.

SCHOOLS OF OHIO RISK SHARING AUTHORITY

CLAIMS DEVELOPMENT
YEARS ENDED JUNE 2004 THROUGH 2013

	Fiscal Year Ended 6/30/2013	Fiscal Year Ended 6/30/2012	Fiscal Year Ended 6/30/2011	Fiscal Year Ended 6/30/2010	Fiscal Year Ended 6/30/2009	Fiscal Year Ended 6/30/2008	Fiscal Year Ended 6/30/2007	Fiscal Year Ended 6/30/2006	Fiscal Year Ended 6/30/2005	Five Month Period Endec 6/30/2004
1. Required contribution and investment revenue										
Earned	$ 4,590,052	$ 3,881,485	$ 3,415,944	$ 3,364,805	$ 3,348,075	$ 3,314,942	$ 3,094,235	$ 2,958,419	$ 3,673,926	$ 1,632,600
Ceded	2,059,895	1,791,485	1,635,933	1,572,098	1,447,117	1,452,458	1,169,570	955,265	1,590,395	913,321
Net earned	2,530,157	2,090,000	1,780,011	1,792,707	1,900,958	1,862,484	1,924,665	2,003,154	2,083,531	719,279
2. Unallocated expenses	1,050,669	1,025,024	971,639	946,719	1,008,892	928,160	883,248	871,413	981,423	514,783
3. Estimated claims and expenses end of policy year:										
Incurred	1,345,117	1,727,827	1,191,821	1,026,000	905,000	413,000	1,101,139	911,791	1,017,776	420,442
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	1,345,117	1,727,827	1,191,821	1,026,000	905,000	413,000	1,101,139	911,791	1,017,776	420,442
4. Net paid claims as of: (cumulative)										
End of policy year	579,293	947,036	925,088	519,876	781,821	464,528	312,965	267,176	292,930	93,093
One year later	-	1,280,628	1,488,136	996,798	962,899	651,885	411,983	396,843	392,020	372,979
Two years later	-	-	1,618,206	1,084,164	1,060,497	967,835	460,722	474,574	396,931	437,591
Three years later	-	-	-	1,243,660	1,109,043	827,356	543,742	508,166	512,634	472,304
Four years later	-	-	-	-	1,132,569	832,380	546,503	521,819	513,711	485,334
Five years later	-	-	-	-	-	832,380	571,896	521,819	521,451	485,665
Six years later	-	-	-	-	-	-	571,896	521,819	521,451	485,665
Seven years later	-	-	-	-	-	-	-	521,819	521,451	485,665
Eight years later	-	-	-	-	-	-	-	-	521,451	485,665
Nine years later	-	-	-	-	-	-	-	-	-	485,665
5. Re-estimated net incurred claims and expense, as of:										
End of policy year	1,345,117	1,727,827	1,171,386	1,026,000	905,000	913,000	1,101,139	911,791	1,017,776	535,004
One year later	-	1,727,827	1,488,136	1,026,000	1,005,000	913,000	1,101,139	911,791	1,017,776	535,004
Two years later	-	-	1,488,136	1,085,000	1,005,000	1,013,000	1,101,139	661,791	1,017,776	535,004
Three years later	-	-	-	1,085,000	1,110,000	1,013,000	1,001,139	661,791	702,884	535,004
Four years later	-	-	-	-	1,110,000	833,000	1,001,139	661,791	702,884	599,896
Five years later	-	-	-	-	-	833,000	684,390	661,791	602,884	599,896
Six years later	-	-	-	-	-	-	684,390	677,790	602,884	599,896
Seven years later	-	-	-	-	-	-	-	677,790	602,884	599,896
Eight years later	-	-	-	-	-	-	-	-	602,884	599,896
Nine years later	-	-	-	-	-	-	-	-	-	599,896
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	$ -	$ -	$ 316,750	$ 59,000	$ 205,000	$ (80,000)	$ (416,749)	$ (234,001)	$ (414,892)	$ 64,892

See report of independent auditors on page 1.

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

To the Board of Directors
Schools of Ohio Risk Sharing Authority
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 Schools of Ohio Risk Sharing Authority, Inc. (SORSA) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise SORSA's basic financial statements and have issued our report thereon dated October 18, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered SORSA'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 SORSA'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 SORSA'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 SORSA'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 SORSA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering SORSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra Co., LLC

Columbus, Ohio
October 18, 2013

Schools of Ohio Risk Sharing Authority
Schedule of Prior Year Audit Findings and Responses
Year Ended June 30, 2012

2012-1: Prior period adjustment regarding unrecorded subscription agreement

Condition: SORSA wasn't aware of the United Educators account until fiscal year 2012 and therefore didn't record an associated asset for this account.

Criteria: Assets held by an organization are required to be classified as either a current or other asset on the balance sheet.

Cause: SORSA entered into a subscription agreement with United Educators in 2006 that earned investment returns and interest.

Effect: During the 2012 audit, a prior period adjustment and a current year audit entry were posted to record approximately $383,000 to add SORSA's interest in the United Educators subscription agreement.

Recommendation: We recommend that management record all investment type activity to accurately reflect the financial position of the organization.

Current Status: Management performs a review each year to assess any and all investments.

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Dave Yost · Auditor of State

SCHOOLS OF OHIO 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
DECEMBER 10, 2013

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