County Risk Sharing Authority, Inc.

Financial Statements as of and for the Years Ended April 30, 2008 and 2007 (As Restated), and Required Supplementary Information for the Year Ended April 30, 2008 and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the County Risk Sharing Authority, Inc., Franklin County, prepared by Deloitte & Touche LLP, for the audit period May 1, 2007 through April 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 18, 2008

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COUNTY RISK SHARING AUTHORITY, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
County Risk Sharing Authority, Inc.:

We have audited the accompanying statements of net assets of County Risk Sharing Authority, Inc. (CORSA) as of April 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of CORSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CORSA at April 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2–9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This supplementary information is the responsibility of CORSA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of CORSA taken as a whole. The 2008 supplementary claim information on pages 24–25 is not a required part of the basic financial statements but is supplementary information required by GASB. This supplementary information is the responsibility of CORSA's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORSA has not presented supplementary claim information for 1999-2007 that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of CORSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 12, the accompanying financial statements for the year ended April 30, 2007 have been restated.

Deloitte & Touche LLP

September 26, 2008

COUNTY RISK SHARING AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the County Risk Sharing Authority, Inc. (CORSA) offers this narrative overview and analysis of the financial activities of CORSA for the fiscal years ended April 30, 2008 and 2007. Readers are encouraged to consider the information presented here in conjunction with CORSA's financial statements and notes to the financial statements to enhance their understanding of CORSA's financial performance.

Organization

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

As of April 30, 2008, sixty-two (62) Ohio counties and eighteen (18) county facilities were members of CORSA. The County Commissioners Association of Ohio and its related entities were also members of CORSA during the 2007-2008 fiscal year.

Comparison of Current Year to Prior Year Financial Statements

When CORSA made the decision to change liability reinsurers in March, 2008, it was required to convert its method for recording claims data from an "accident year" basis to a "report year" basis. Under the accident year basis, claims are placed in the year in which the accident/event occurred. Therefore, claims expense is recorded on an "accident year" basis versus a "report year" basis. At the end of a given program year, there will be losses that have occurred during the program year that have not yet been reported. When using the accident year basis to record data, a provision for estimating losses that have occurred during the given program year but have not yet been reported to CORSA (IBNYR), along with a provision for future development of open reported claims (IBNE) must be included in the reserves for unpaid losses that appear on the Statement of Net Assets.

Under the report year basis, liability loss claims are recorded in the year in which they were reported to CORSA, and at the end of a given program year, no more claims can be recorded in that particular program year. Since at the end of a given program year no more future claims can be placed in that program year, the IBNYR does not exist, and only the IBNE is included in the reserves that appear on the Statement of Net Assets.

The fiscal 2008 financial statements, therefore, are being presented on a report year basis for liability and accident year for property. Accordingly, CORSA has restated its fiscal 2007 financial statements to present them on a report year basis for liability coverages to correct the inconsistency noted above. The restated financial statements reflect the removal of the IBNYR from the fiscal 2007 reserves. The result is a decrease in reserves and an increase in ending net assets of $7,095,237 at April 30, 2007.

Overview of the Financial Statements

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

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

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

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

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Details are given regarding CORSA's organization, accounting policies, cash and investments, 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 ten years of earned revenues compared to related losses and other expenses assumed by CORSA. Information is also given in this section regarding changes in estimated losses for each of the past ten years.

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

Financial Analysis – Statements of Net Assets

The following table presents the summarized financial position as of April 30, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

Assets		2008		2007		Increase (Decrease)
Cash and cash equivalents	$	13,890,793	$	12,938,050	$	952,743
Receivables		9,425,965		10,458,585		(1,032,620)
Investments		57,856,383		57,120,143		736,240
Property and equipment		184,336		186,309		(1,973)
Loans to CCAO Service Corporation		1,016,384		1,058,845		(42,461)
Total assets	$	82,373,861	$	81,761,932	$	611,929
Liabilities						
Reserves for unpaid losses and loss adjustment expenses	$	28,221,939	$	23,720,000	$	4,501,939
Deferred member contributions		20,284,284		20,169,938		114,346
Payable for investment purchases				1,256,238		(1,256,238)
Accrued expenses and other		94,026		53,549		40,477
Total liabilities	$	48,600,249	$	45,199,725	$	3,400,524
Net Assets	$	33,773,612	$	36,562,207	$	(2,788,595)

Cash and cash equivalents were $952,743 more on April 30, 2008 than on April 30, 2007. This increase is due to the fact that more premiums for the upcoming fiscal year were paid before April 30 in 2008 than were paid before April 30 in 2007. Correspondingly, receivables due from counties on April 30, 2008 were lower than on April 30, 2007 for the same reason. More premiums were owed to CORSA for the new fiscal year on April 30, 2007 than on April 30, 2008.

Investments are shown at market value on the financial statements. Smith Barney Consulting Group is CORSA's investment consultant. Smith Barney conducts investment manager searches and recommends investment managers who have discretion to purchase, sell, or hold securities based on CORSA's written Investment Policy. This Investment Policy sets guidelines for the allocation of CORSA's invested funds. After a reserve is set aside in easily accessible money market accounts for the payment of claims, the rest of the available funds from premiums are allocated between fixed income securities and equity securities. CORSA's Investment Policy stipulates that a target of 30% is to be allocated to equity securities.

Also listed on the 2008 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation (CCAO SC) in the amount of $1,016,384. This relates to draws on two lines of credit that the Service Corporation has with CORSA. CCAO SC paid monthly interest payments to CORSA on these draws.

CORSA's assets in total increased by $611,929 over the previous year.

The liability for unpaid losses and loss adjustment expenses include both reserves established by CORSA adjustors for the estimated amount at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of open claims (IBNE). Total reserves have increased from $23,720,000 in 2007 to $28,221,939 in 2008, an increase of $4,501,939. Included in the 2008 reserves is $2,353,277 for the flood that occurred on August 21, 2007 in Northwest Ohio.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions increased from $20,169,938 in 2007 to $20,284,284 in 2008. The increase in contributions is due to a new facility joining CORSA, increased exposures of current members and additional coverage being purchased by current members.

The difference between assets and liabilities, or net assets, decreased by $2,788,595 from 2007 to 2008. The decrease in net assets is driven by the increase in loss reserves. A distribution of approximately $2,400,000 was made to CORSA members at the time of the 2007-2008 renewal in the form of credits to their contributions. Another distribution of approximately $2,400,000 was made to CORSA members in the same form at the time of the 2008-2009 renewal, which was subsequent to April 30, 2008.

The following table presents the summarized financial position as of April 30, 2007 and 2006.

Assets	2007	2006	Increase (Decrease)
Cash and cash equivalents	$ 12,938,050	$ 4,525,311	$ 8,412,739
Receivables	10,458,585	18,232,253	(7,773,668)
Investments	57,120,143	51,109,065	6,011,078
Property and equipment	186,309	121,875	64,434
Loans to CCAO Service Corporation	1,058,845	700,000	358,845
Total assets	$ 81,761,932	$ 74,688,504	$ 7,073,428
Liabilities			
Reserves for unpaid losses and loss adjustment expenses	$ 23,720,000	$ 22,470,000	$ 1,250,000
Deferred member contributions	20,169,938	19,226,351	943,587
Payable for investment purchases	1,256,238		1,256,238
Accrued expenses and other	53,549	89,286	(35,737)
Total liabilities	$ 45,199,725	$ 41,785,637	$ 3,414,088
Net Assets	$ 36,562,207	$ 32,902,867	$ 3,659,340

Cash and cash equivalents were $8,412,739 more on April 30, 2007 than on April 30, 2006. This increase is due to the fact that many more premiums for the upcoming fiscal year were paid before April 30 in 2007 than were paid before April 30 in 2006. Correspondingly, receivables due from counties on April 30, 2007 were significantly lower than on April 30, 2006 for the same reason. More premiums were owed to CORSA for the new fiscal year on April 30, 2006 than on April 30, 2007.

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

Property and equipment increased by $64,434 between April 30, 2006 and April 30, 2007. CORSA brought claims administration and processing in-house during the fiscal period of 2006-2007. These services were formerly provided by a third party administrator. Capital and fixed assets related to this undertaking, such as computers, equipment, and vehicles, account for this increase.

Also listed on the 2007 Statement of Net Assets is a loan to the County Commissioners' Association of Ohio Service Corporation (CCAO SC) in the amount of $1,058,845. This relates to draws on two lines of credit that the Service Corporation has with CORSA. CCAO SC paid monthly interest payments to CORSA on these draws.

CORSA's assets in total increased by $7,073,428 over the previous year.

The liability for unpaid losses and loss adjustment expenses increased from $22,470,000 in 2006 to $23,720,000 in 2007. This amount is determined by an independent actuary. Reserves are established for the estimated amount that will have to be paid at some future date to settle reported claims.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions increased from $19,226,351 in 2006 to $20,169,938 in 2007. The increase in contributions is due to new county facilities joining CORSA during the 2006-2007 year, increased exposures of current members, and additional coverage being purchased by current members.

The difference between assets and liabilities, or Net Assets, increased by $3,659,340 from 2006 to 2007. A distribution of approximately $2,400,000 was made to CORSA members at the time of the 2006-2007 renewal in the form of credits to their contributions.

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

The following table presents the summarized results of operations for the fiscal years ended April 30, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

		2008		2007		Increase (Decrease)
Member contributions (less commercial insurance)	$	18,129,918	$	17,387,763	$	742,155
Net investment income		2,262,121		5,024,368		(2,762,247)
Other		54,354		32,262		22,092
Total income	$	20,446,393	$	22,444,393	$	(1,998,000)
Loss and loss adjustment expenses for current year events	$	16,595,959	$	12,869,823	$	3,726,136
Benefit for insured events of prior years		(295,154)		(588,394)	$	293,240
Marketing, administrative, and other		6,934,183		6,503,624		430,559
Total expenses	$	23,234,988	$	18,785,053	$	4,449,935
Change in Net Assets	$	(2,788,595)	$	3,659,340	$	(6,447,935)
NET ASSETS						
Beginning of year		36,562,207		32,902,867		
End of year	$	33,773,612	$	36,562,207		

Member contributions earned increased from $17,387,763 in 2007 to $18,129,918 in 2008. This increase is attributed mainly to a new facility joining CORSA for the 2007-2008 fiscal year and additional lines of coverage provided to existing members.

The other part of CORSA's income is investment income. Investment income earned by CORSA before unrealized gains and losses, increased by $271,494 from 2007 to 2008. However, as a result of $982,443 in unrealized losses in 2008, as opposed to unrealized gains of $1,928,461 in 2007, net investment income decreased by $2,762,247 from 2007 to 2008.

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. CORSA's loss and loss adjustment expenses for the current year increased by $3,726,136 from 2007 to 2008. $3,415,989 of the increase can be attributed to the flood that occurred on August 21, 2007 in Northwest Ohio.

The benefit for insured events of prior years represents the changes in the amounts paid and reserved for all program years prior to the current program year. The expenses as of April 30, 2008 for paid and reserved claims for each year prior to April 30, 2008 were compared to the same expenses as of April 30, 2007. The benefit represents a total of the changes of each program year. This year, there was a benefit attributable to prior years.

Risk management and other administrative expenses are the two other operating expenses which had significant increases. Risk management expenses, which increased by $302,598 from 2007 to 2008, are expenses paid from member equity for special risk management projects. During the 2007-2008 year $232,728 from member equity was used to provide flood zone determinations for members, and $69,129 was used to provide Model Law Enforcement Policies. CORSA also contracted with a firm to do an independent claim audit, the cost of which was paid from member equity. The main reason for the $184,926 increase in annual administrative expenses was due to the addition of the HR Help-Line and Law Enforcement Consulting programs that were added during the 2007-2008 year.

Due mainly to higher than expected claims loss expenses for the current year; CORSA realized an overall net loss of $2,788,595. CORSA's net assets, also known as member equity, stand at $33,773,612 as of April 30, 2008.

The following table presents the selected results of operations for the fiscal years ended April 30, 2007 and 2006. Certain information for 2006 comparative purposes is not available.

		2007		2006		Increase (Decrease)
Member contributions (less commercial insurance)	$	17,387,763	$	16,159,630	$	1,228,133
Net investment income		5,024,368		2,022,643		3,001,725
Other Income		32,262		20,764		11,498
Provision (benefit) for insured events of prior years	$	(588,394)	$	6,791,012	$	(7,379,406)
Marketing, administrative, and other		6,503,624		5,540,530		963,094

Member contributions earned increased from $16,159,630 in 2006 to $17,387,763 in 2007. This increase is attributed mainly to new facilities joining CORSA for the 2006-2007 fiscal year and additional lines of coverage provided to existing members.

The other part of CORSA's revenues is in investment income. CORSA's net investment income, including unrealized and realized gains, increased $3,001,725 from the previous year.

The provision (benefit) for insured events of prior years represents the changes in the amounts paid, reserved, and the IBNR for all program years prior to the current program year. The expenses as of April 30, 2007 for paid and reserved claims and the IBNR for each year prior to April 30, 2007 were compared to the same expenses as of April 30, 2006. The provision (benefit) represents a total of the changes of each program year. This year, there was a benefit attributable to prior years. The main source of this benefit is a better than expected claims development for the prior years 2001-2002 through 2003-2004.

Marketing, administrative, and other expenses increased by $963,094 between 2006 and 2007. Included in this category are the distributions to CORSA members totaling $2,400,000 in the 2006-2007 fiscal year, an increase of $800,000 over the 2005-2006 fiscal year.

Subsequent Events

The following events occurred after the end of the fiscal year ended April 30, 2008:

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 22 county association- sponsored risk sharing pools.

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

Also effective May 1, 2008, CORSA moved the equipment breakdown coverage to Travelers Insurance, who provides property reinsurance to CORSA. In addition to the lower reinsurance costs, members will also benefit by having the property and equipment breakdown coverage with one reinsurer.

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 will be contributing $1,000,000 to the LLC's capital and will have an equal interest in the LLC with the other members.

Recent Trends and Risks

CORSA is financially strong, and has a high level of member support and loyalty. In its 18 year history, only one county has left the CORSA program, and that county has since requested rejoining the program. Membership is loyal due to CORSA's track record of providing broad coverage and comprehensive risk management services at stable and competitive costs.

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

The other major risk to CORSA is the possibility of extraordinary or unexpected claims. During the 07-08 program year, a flood in Northwest Ohio resulted in claims in excess of $3,400,000. The financial strength of CORSA enables the program to have a year with extraordinary losses and yet continue to be financially strong.

Request for information

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

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF NET ASSETS
APRIL 30, 2008 AND 2007

	2008	2007 (As Restated See Note 12)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,890,793	$ 12,938,050
Loans to CCAO Service Corporation	857,823	1,058,845
Accounts receivable:		
Member contributions receivable	7,732,527	9,006,200
Member deductibles receivable	988,252	700,503
Aggregate reinsurance receivable	10,527	10,131
Recoveries receivable		132,500
Accrued interest receivable	316,234	338,708
Receivable for investment sales	376,122	
Other	2,303	617
Total current assets	24,174,581	24,185,554
INVESTMENTS	57,856,383	57,120,143
PROPERTY AND EQUIPMENT:		
Furniture and fixtures	97,528	97,528
Computer and equipment	42,863	47,210
Claims system	103,725	103,059
Vehicles	105,546	71,508
Total property and equipment	349,662	319,305
Accumulated depreciation	(165,326)	(132,996)
Property and equipment, net	184,336	186,309
LONG TERM ASSETS:		
Loan to CCAO Service Corporation	158,561	
Related party receivables		269,926
TOTAL ASSETS	$ 82,373,861	$ 81,761,932
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Reserves for unpaid losses and loss adjustment expenses	$ 28,221,939	$ 23,720,000
Deferred member contributions	20,284,284	20,169,938
Payable for investment purchases		1,256,238
Accrued expenses and other	94,026	53,549
Total current liabilities	48,600,249	45,199,725
NET ASSETS:		
Invested in capital assets	184,336	186,309
Unrestricted	33,589,276	36,375,898
Total net assets	33,773,612	36,562,207
TOTAL LIABIIITIES AND NET ASSETS	$ 82,373,861	$ 81,761,932

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED APRIL 30, 2008 AND 2007

	2008	2007 (As Restated See Note 12)
OPERATING REVENUES:		
Member contributions	$ 22,626,226	$ 21,690,243
Less: Commercial insurance coverages	4,496,308	4,302,480
Total operating revenues, net	18,129,918	17,387,763
OPERATING EXPENSES:		
Loss and loss adjustment expenses for current year events	16,595,959	12,869,823
Benefit for insured events of prior years	(295,154)	(588,394)
Third party claims administration expenses		114,730
Brokerage fees	350,000	350,000
Agent fees	1,291,641	1,244,542
Depreciation	78,842	68,176
Distribution to members	2,400,000	2,400,000
Risk management expenses	846,864	544,266
Administrative expenses	1,966,836	1,781,910
Total operating expenses	23,234,988	18,785,053
OPERATING LOSS	(5,105,070)	(1,397,290)
NON-OPERATING INCOME (EXPENSES):		
Investment income	3,114,336	2,842,842
Unrealized gain (loss) on investments	(982,443)	1,928,461
Gain on sale of investments	515,702	605,475
Other income	54,354	32,262
Investment fees	(385,474)	(352,410)
Non-operating income, net	2,316,475	5,056,630
CHANGE IN NET ASSETS	(2,788,595)	3,659,340
NET ASSETS:		
Beginning of year as originally reported	29,466,970	26,204,110
Restatement (See Note 12)	7,095,237	6,698,757
Beginning of year as restated	36,562,207	32,902,867
End of year	$ 33,773,612	$ 36,562,207

See notes to financial statements.

COUNTY RISK SHARING AUTHORITY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2008 AND 2007

	2008	2007 (As Restated See Note 12)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and other parties	$ 23,856,914	$ 30,339,705
Cash paid for commercial insurance	(4,496,308)	(4,302,480)
Cash paid for claims	(11,798,866)	(11,031,429)
Cash paid for other expenses	(6,814,864)	(6,471,186)
Net cash provided by operating activities	746,876	8,534,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(76,867)	(132,610)
Proceeds from sale of asset		6,000
Net cash used in capital and related financing activities	(76,867)	(126,610)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investments and other income	3,191,164	2,835,948
Cash paid for investment fees	(385,474)	(352,410)
Purchase of investments	(44,169,991)	(41,558,822)
Proceeds from sale of investments	40,587,648	38,802,918
Proceeds from maturity of investments	747,000	535,000
Change in loans to related parties	312,387	(257,895)
Net cash provided by (used in) investing activities	282,734	4,739
NET CHANGE IN CASH AND CASH EQUIVALENTS	952,743	8,412,739
CASH AND CASH EQUIVALENTS:		
Beginning of year	12,938,050	4,525,311
End of year	$ 13,890,793	$ 12,938,050
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating loss	$ (5,105,070)	$ (1,397,290)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	78,840	68,176
Member contributions receivable	1,273,673	7,784,110
Other	(1,684)	24,875
Member deductibles receivable	132,104	(34,701)
Reinsurance receivable	(287,748)	(68,410)
Unpaid losses and loss adjustment expenses	4,501,939	1,250,000
Deferred member contributions	114,346	943,587
Accrued expenses and other	40,476	(35,737)
Net cash provided by operating activities	$ 746,876	$ 8,534,610

See notes to financial statements.

1. ORGANIZATION

County Risk Sharing Authority, Inc. (CORSA) is a self-insurance pool that was established in 1987 by the County Commissioners' Association of Ohio (CCAO) for the purpose of providing property and liability coverage and comprehensive risk-management services (the "Program") for CCAO members. As of April 30, 2008, sixty-two (62) Ohio counties and eighteen (18) county facilities were members of CORSA. The CCAO and its related entities were also members of CORSA during the 2006-2007 and 2007–2008 fiscal years.

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

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

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

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

There are no open claims that have the potential to develop into the Bond Fund, and the actuary has removed the Incurred But Not Reported (IBNR) from the Bond Fund. As of April 30, 2008 and 2007, the Bond Fund had assets of approximately $2,569,000 and $3,708,000, respectively. Since CORSA's adjustors have indicated that there are not open claims that could penetrate the Bond Fund, and since the actuary has removed IBNR, the decision has been made to return all bond equity to bond participants over a four year period. Beginning with the 2006-2007 fiscal year, the total credit to Bond Fund participants was increased to $1,300,000 each year for the first three years, with the remaining balance distributed in the fourth year.

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

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

2. ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

As of April 30, 2008 and 2007, CORSA does not have any "restricted" net assets. Under certain conditions, CORSA may distribute all or part of the net assets to those members who constituted the self-insurance pool during the years when such surplus member funds were earned, provided that such members must also be members of CORSA in the year in which said distribution is made.

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

3. CASH AND INVESTMENTS

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

The Investment Policy establishes risk guidelines, investment goals, and asset allocation guidelines for each of the two primary investment pools, the Bond Fund and the Claims Fund. According to the Policy, investment management of the assets in the Bond Fund are to be 100% fixed income and money market securities, with at least 60% of the fixed income in government securities and the rest in investment grade corporate bonds. Investment management of the assets in the Claims Fund are targeted for 70% in fixed income securities and the rest in large cap equities, after a cash reserve is set aside for the immediate payment of claims.

Cash and Cash Equivalents

To maintain the ability to meet cash requirements for the payment of claims, the IPS stipulates that a minimum of $1,000,000 be maintained in cash or cash equivalents, including money market funds. Cash and cash equivalents include bank deposits 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, 2008, the carrying amount of CORSA's cash and cash equivalents was $13,890,793. Of this amount, $100,000 was insured. CORSA maintains balances that are in excess of those insured by the Federal Depository Insurance Corporation. However, to date no losses have been experienced.

Investments

Investments held by CORSA at April 30, 2008 and 2007, are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The CORSA Investment Policy stipulates that Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better unless the Board makes a specific exception.

2008

Investment Type	Fair Value	Not Rated	AAA	AA, A and BBB	Below BBB
US Treasury Bonds	$ 2,698,529	$ -	$ 2,698,529	$ -	$ -
US Agency Bonds	4,434,742		4,434,742		
Strips	1,155,542		1,155,542		
Mortgage-backed bonds	26,481,827		26,481,827		
Corporate bonds	8,894,352			8,894,352	
International bonds	1,413,195			1,413,195	
Municipal bonds	457,501		457,501		
Common and preferred stocks	12,320,695	12,320,695			
Total investments	$ 57,856,383	$ 12,320,695	$ 35,228,141	$ 10,307,547	$ -

2007

Investment Type	Fair Value	Not Rated	AAA	AA, A and BBB	Below BBB
US Treasury Bonds	$ 4,813,263	$ -	$ 4,813,263	$ -	$ -
US Agency Bonds	5,565,465		5,565,465		
Strips	870,114		870,114		
Mortgage-backed bonds	24,013,454		24,013,454		
Corporate bonds	9,258,653			9,258,653	
International bonds	574,983			574,983	
Municipal bonds	269,239		269,239		
Common and preferred stocks	11,754,972	11,754,972			
Total investments	$ 57,120,143	$ 11,754,972	$ 35,531,535	$ 9,833,636	$ -

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is primarily managed by establishing guidelines for portfolio duration. The CORSA Investment Policy stipulates that for fixed income securities, the maximum maturity for any single security may not exceed 30 years, except that of a mortgage backed, collateralized mortgage backed, or asset backed security. For these exceptions, the average life shall not exceed 20 years. The following table presents CORSA's bond investments as of April 30, 2008 and 2007 by length of maturity.

2008

Investment Type	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
US Treasury Bonds	$ 2,698,529	$ 600,789	$ 470,574	$ 1,090,206	$ 536,960
US Agency Bonds	4,434,742	100,469	1,604,164	2,096,499	633,611
Strips	1,155,542				1,155,542
Mortgage-backed bonds	26,481,827	494,317	1,856,761	1,549,705	22,581,044
Corporate bonds	8,894,352	116,928	4,550,868	3,194,011	1,032,544
International bonds	1,413,195		266,059	1,147,136	
Municipal bonds	457,501				457,501
Total bonds	$45,535,688	$1,312,503	$8,748,426	$ 9,077,557	$26,397,202

2007

Investment Type	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
US Treasury bonds	$ 4,813,263	$ 511,179	$ 353,121	$ 2,867,566	$ 1,081,397
US Agency Bonds	5,565,465	528,119	2,542,630	2,140,042	354,674
Strips	870,114			297,676	572,438
Mortgage-backed bonds	24,013,454		1,838,679	1,076,883	21,097,892
Corporate bonds	9,258,653	155,833	4,055,681	3,972,105	1,075,034
International bonds	574,983		574,983		
Municipal bonds	269,239				269,239
Total bonds	$45,365,171	$1,195,131	$9,365,094	$10,354,272	$24,450,674

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

4. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The changes in the reserves for unpaid losses and loss adjustment expenses for the years ended April 30, 2008 and 2007, are as follows (net of reinsurance, see Note 5).

	2008	2007
Unpaid losses and loss adjustment expenses, beginning of the fiscal year	$23,720,000	$22,470,000
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year	16,595,959	12,869,823
Benefit for insured events of prior fiscal years	(295,154)	(588,394)
Total incurred losses and loss adjustment expenses	16,300,805	12,281,429
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	4,366,627	2,429,048
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	7,432,239	8,602,381
Total payments	11,798,866	11,031,429
Total unpaid losses and loss adjustment expenses, end of the fiscal year	$28,221,939	$23,720,000

5. SELF-INSURED RETENTION AND REINSURANCE

CORSA retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance and reinsurance contracts. CORSA's per-occurrence retention limit for all liability coverage was $1,000,000 for fiscal years ending in 2008 and 2007. Property coverage also had a per-occurrence retention limit of $1,000,000 for fiscal years ending in 2008 and 2007, with the exception of equipment breakdown for which there was a $50,000 per occurrence retention limit.

CORSA maintains excess insurance and reinsurance contracts with insurance carriers who provide various limits of coverage over CORSA's self-insured retention limits. Each member chooses its limits of liability coverage, with limits varying between $1,000,000 and $9,000,000. Liability coverage provided by CORSA is on a "claims-made" basis and property coverage is on an "occurrence" basis. During the 07/08 year, property reinsurance was provided by St. Paul/Travelers, and excess liability was provided by Munich/American Re. Hartford Steam Boiler was the reinsurance carrier for equipment breakdown.

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 $4,496,308 and $4,302,480 for fiscal years 2008 and 2007, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was $2,736,200 and $719,153 for fiscal years 2008 and 2007, respectively.

6. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2008 and 2007 was as follows:

	April 30, 2007	Additions	Deductions	April 30, 2008
Capital assets being depreciated:				
Computer and equipment	$ 47,210	$ -	$ 4,347	$ 42,863
Vehicles	71,508	53,980	19,942	105,546
Claims system	103,059	22,887	22,221	103,725
Furniture and fixtures	97,528			97,528
Total property and equipment	319,305	76,867	46,510	349,662
Less accumulated depreciation:				
Computer and equipment	29,585	8,907	4,347	34,145
Vehicles	27,085	18,063	19,942	25,206
Claims system	18,524	38,500	22,221	34,803
Furniture and fixtures	57,802	13,370		71,172
Total accumulated depreciation	132,996	78,840	46,510	165,326
Total capital assets being depreciated, net	$ 186,309	$ (1,973)	$ -	$ 184,336

	April 30, 2006	Additions	Deductions	April 30, 2007
Capital assets being depreciated:				
Computer and equipment	$ 45,914	$ 1,296	$ -	$ 47,210
Vehicles	50,466	51,566	30,524	71,508
Claims system	60,629	62,640	20,210	103,059
Furniture and fixtures	80,420	17,108		97,528
Total property and equipment	237,429	132,610	50,734	319,305
Less accumulated depreciation:				
Computer and equipment	17,757	11,828		29,585
Vehicles	50,466	7,143	30,524	27,085
Claims system	2,077	36,657	20,210	18,524
Furniture and fixtures	45,254	12,548		57,802
Total accumulated depreciation	115,554	68,176	50,734	132,996
Total capital assets being depreciated, net	$ 121,875	$ 64,434	$ -	$ 186,309

7. COMMITMENTS

Rental expense for automobile leases totaled $5,952 and $24,164 for the years ended April 30, 2008 and 2007, respectively. All automobile leases expired during the 2007-2008 fiscal year. Two of the formerly leased automobiles were purchased by CORSA at the end of the lease term. No new leasing arrangements were entered into.

8. TAX STATUS

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

9. RETIREMENT BENEFITS

The CCAO maintains a defined contribution plan covering employees who meet certain age and service requirements. Eligible CORSA employees are covered under this plan. The amount contributed to the plan by CCAO is not to exceed 10 percent of each eligible employee's annual qualified compensation. Contributions to the plan are made at the discretion of the Board of Directors of CCAO. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. Contributions of $77,837 and $56,562 were made by CORSA for fiscal years ended April 30, 2008 and 2007, 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. Contributions of $29,922 and $28,339 were made by CORSA for fiscal years ended April 30, 2008 and 2007, respectively.

10. RELATED PARTY

In 2002 and 2003, the CORSA Board of Directors and the Board of Directors of CCAO jointly approved the funding of a new county government health insurance pool, which was named County Employee Benefits Consortium of Ohio (CEBCO). The funding was for various start-up and first year expenses, and was to be repaid to CORSA by CEBCO when it was fiscally prudent to do so. There were no formal repayment terms. The implementation date of the health program was January 1, 2004. Funding from CORSA began in 2002 and continued through February of 2005. The total amount of the funding was $445,875. In December of 2005, CEBCO paid $75,000 to CORSA as partial repayment. In December of 2006, another $100,949 was paid back to CORSA. In December of 2007, the final payment of $269,926 was made to CORSA. There were no new loans to CEBCO, and no money is due to CORSA from CEBCO.

During the fiscal years 2007-2008 and 2006-2007, there was a line of credit available to the CCAO Service Corporation (CCAO SC) from CORSA in the amount of $1,000,000. There were several borrowings under this line of credit during both fiscal years. The agreement stipulated that outstanding principal amounts must be repaid within one year. CCAO SC paid interest to CORSA on any unpaid principal balance on a monthly basis, at a rate of 6%. Interest earned by CORSA on this line of credit during the fiscal years 2007-2008 and 2006-2007 was $43,079 and $19,987, respectively. The unpaid balance on the principal as of April 30, 2008 and April 30, 2007 was $696,000 and $1,000,000, respectively.

In May of 2006, another $1,000,000 line of credit was extended by CORSA to the CCAO SC. The agreement stipulated that any borrowings against the line of credit were to be paid back to CORSA within two years. During the 2007-2008 and 2006-2007 fiscal years, the CCAO SC borrowed $333,333 and $200,000, respectively, under this line of credit. Monthly payments of principal and interest were made to CORSA during the 2007-2008 and 2006-2007 fiscal years, at an interest rate of 5%. Interest earned by CORSA on this line of credit during the fiscal years 2007-2008 and 2006-2007 was $3,219 and $4,963, respectively. The unpaid balance on the principal as of April 30, 2008 and April 30, 2007 was $320,384 and $58,845, respectively.

During the 2007-2008 and 2006-2007 fiscal years, CORSA paid $1,546,794 and $1,403,771, respectively, to CCAO for management, legislative, and administrative services. CORSA's accounts payable to CCAO as o f April 30, 2008 and April 30, 2007, was $47,430 and $0, respectively.

11. SUBSEQUENT EVENTS

The following events occurred after the end of the fiscal year ended April 30, 2008:

In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and reinsurance to 22 county association- sponsored risk sharing pools.

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

Also effective May 1, 2008, CORSA moved the equipment breakdown coverage to Travelers Insurance, who provides property reinsurance to CORSA.

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 will be contributing $1,000,000 to the LLC's capital and will have an equal interest in the LLC with the other members.

12. RESTATEMENT

Subsequent to the issuance of the fiscal 2007 financial statements, CORSA determined that the timing of recording claims expense for liability loss claims in its financial statements was not consistent with the terms of its policies. Based on CORSA's policy terms of coverage, liability loss claims should be recorded in its financial statements on a "report year" basis instead of the "accident year" basis that was used. Accordingly, CORSA has restated its fiscal 2007 financial statements to correct this inconsistency. In addition the 2007 statement of cash flows was restated to properly classify loan activity with related parties as investing activities instead of operating activities as previously presented. The effects of these restatements on the fiscal 2007 financial statements are as follows:

	2007	
	As previously Reported	As Restated
Statement of Net Assets:		
Reserves for unpaid losses and loss adjustment expenses	$ 30,815,237	$ 23,720,000
Total current liabilities	52,294,962	45,199,725
Unrestricted net assets	29,280,661	36,375,898
Total net assets	29,466,970	36,562,207
Statement of Revenues, Expenses and Changes in Net Assets:		
Loss and loss adjustment expenses for current year events	$ 13,266,303	$ 12,869,823
Total operating expenses	19,181,533	18,785,053
Operating loss	(1,793,770)	(1,397,290)
Change in net assets	3,262,860	3,659,340
Statement of Cash Flows:		
Cash received from members and other parties	$ 30,081,810	$ 30,339,705
Net cash provided by operating activities	8,276,715	8,534,610
Change in loans to related parties		(257,895)
Net cash provided by (used in) investing activities	262,634	4,739
Operating Loss	(1,793,770)	(1,397,290)
Related party receivable and other	(233,020)	
Other		24,875
Unpaid losses and loss adjustment expenses	1,646,480	1,250,000

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY RISK SHARING AUTHORITY, INC.

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

For the fiscal year ended April 30, 2008

The following table illustrates how CORSA's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by CORSA as of the end of the latest fiscal period. The rows of the table are defined as follows: (1) this line shows the total of the earned contribution revenues and investment revenues. (2) This line shows the other operating costs of CORSA including overhead and claims expense not allocable to individual claims. (3) This line shows CORSA's estimated incurred claims and allocated claim adjustment expense (both paid and accrued) as reported at the end of the first year in which the event that triggered coverage under the contract occurred (called the policy year). (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known 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. The financial statements have been restated as described in Note 12 to the financial statements; however, it is not practical to restate years 1999-2007 information on a reported basis as the information is not readily available. Therefore, the prior nine years of information is not presented.

COUNTY RISK SHARING AUTHORITY, INC.

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

	April 30, 2008
(1) Net earned required contribution and investment revenues	$ 20,823,812
(2) Unallocated expenses	7,319,657
(3) Estimated losses/LAE (self-insured layer)	16,595,959
(4) Paid (self-insured layer):	
End of Policy Year	4,366,627
(5) Re-estimated losses/LAE (self-insured layer):	
End of Policy Year	16,595,959

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

Board of Directors
County Risk Sharing Authority, Inc.:

We have audited the financial statements of County Risk Sharing Authority, Inc. (CORSA), as of and for the year ended April 30, 2008, and have issued our report thereon dated September 26, 2008, which contained an emphasis paragraph regarding a restatement. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CORSA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CORSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CORSA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiency described in the accompanying schedule of findings, as item 2008-01, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CORSA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to CORSA management in a separate letter dated September 26, 2008.

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

Deloitte & Touche LLP

September 26, 2008

COUNTY RISK SHARING AUTHORITY, INC.

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED APRIL 30, 2008

Finding 2008-01: Claims Expense

Subsequent to the issuance of the fiscal 2007 financial statements, CORSA determined that the timing of recording claims expense for liability loss claims in its financial statements was not consistent with the terms of its policies. Based on CORSA's policy terms of coverage, liability loss claims should be recorded in its financial statements on a "report year" basis instead of the "accident year" basis that was used. As a result, CORSA has restated the fiscal 2007 financial statements to record claims expense in the proper period.

Management's Response

CORSA management has concerns about the circumstances leading to the restatement of the 2007 financial statements being categorized as a material weakness in internal controls. Adhering to best practices for internal control has always been of the utmost priority for CORSA. When CORSA changed reinsurers effective May 1, 2008, it also changed the method of recording claims from an accident year basis to a reporting year basis. During the initial stages of the audit, CORSA informed the auditor that it had converted the method of recording claims data from an accident year basis to a report year basis for the 2007–2008 program year. The auditor then informed CORSA that the 2007 financial statements had to be restated. Some background information will be helpful in understanding the rationale for changing the method of recording claims.

The CORSA liability coverage provided to members has always, and continues to be, on a "claims-made basis," with the property coverage being on an "occurrence" basis. However, during the program years between May 12, 1987 (program inception) through April 30, 1998, the time during which CORSA maintained "stop loss" (i.e., aggregate excess insurance), CORSA's liability reinsurer would indemnify CORSA as if the reinsurance was on an "occurrence" basis, and the loss data was recorded on an accident year basis (the loss was placed in the year in which the accident/event occurred). Since data was recorded on an accident year basis, both the provision for estimating losses that have occurred during the policy period but not yet reported (IBNYR), along with the provision for future development of open claims (INBNE), had to be included in the reserves for unpaid losses and loss adjustment expenses.

Effective May 1, 1998, CORSA determined that stop loss coverage was no longer cost-effective, and CORSA's liability reinsurance would begin indemnifying CORSA as if the coverage was on a true claims-made basis. However, the previous ten years' data was on an accident year basis. After consulting with CORSA's actuaries and auditors, CORSA made the decision to continue to record data on an accident year basis, in order to maintain consistency. As long as CORSA maintained the same reinsurer, the basis on which to record data had no impact on the amount CORSA recovered from reinsurance. Including the IBNR in the claim reserves was also in accord CORSA's practice of being conservative while estimating potential liabilities.

However, when CORSA made the decision to become a member of County Reinsurance, Ltd for liability reinsurance, CORSA was required to change the basis on which to record loss data from an accident year basis to a report year: basis. Since CORSA's new reinsurer will include data in the 2007–2008 Actuarial Report as a part of the process to establish rates for the 2009–2010 program year, the loss data in the 2007–2008 Actuarial Report had to be recorded on a report year basis (the loss was placed in the year the loss was reported). Under the report year basis, a claim must be reported while the member is a member of CORSA in order for CORSA to receive payment from the reinsurer. When using the reporting year basis to record claims, only the INBNE is included in reserve estimates, as the IBNYR does not exist Therefore, CORSA restated the 2007 financial statements. The restatement allows for a more accurate comparison of the financial statements for 2006–2007 to those for 2007–2008. The restatement resulted in an increase of $7,095,237 in ending net assets for fiscal year 2006–2007.

Mary Taylor, CPA
Auditor of State

COUNTY RISK SHARING AUTHORITY, INC.

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 2, 2008