

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

**FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**APRIL 30, 2014 AND 2013**







# Dave Yost • Auditor of State

Board of Directors  
County Risk Sharing Authority, Inc.  
209 E State Street  
Columbus, Ohio 43215

We have reviewed the *Report of Independent Auditors* of the County Risk Sharing Authority, Inc., Franklin County, prepared by Blue & Co., LLC, for the audit period May 1, 2013 through April 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

September 5, 2014

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# COUNTY RISK SHARING AUTHORITY, INC.

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## REPORT OF INDEPENDENT AUDITORS

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

To the Board of Directors:

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

We have audited the accompanying financial statements of the County Risk Sharing Authority, Inc. (CORSA) as of and for the years ended April 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise CORSA's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CORSA as of April 30, 2014 and 2013 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.


**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2014, on our consideration of CORSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CORSA's internal control over financial reporting and compliance.



Columbus, Ohio  
July 29, 2014

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

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Management's discussion and analysis of County Risk Sharing Authority, Inc. (CORSA) provides an overall review of CORSA's financial activities for the fiscal years ended April 30, 2014, 2013 and 2012. The intent of this discussion and analysis is to provide further information on CORSA's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of CORSA's financial performance.

**Overview of the Organization**

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

At April 30, 2014, sixty-five (65) Ohio counties and twenty-four (24) county-related entities were members of CORSA. In addition, the County Commissioners' Association of Ohio (CCAO) and its affiliated entities were members of CORSA during the 2014-2013 fiscal years.

**Overview of the Financial Statements**

This annual report consists of financial statements and notes to those statements. The financial statements include the accounts and transactions of CORSA. The Statements of Net Position, Statements of Revenue, Expenses, and Changes in Net Position, and the Statements of Cash Flows provide an indication of CORSA's financial health. The Statements of Net Position include CORSA's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes. The Statements of Revenue, Expenses, and Changes in Net Position report the revenues and expenses during the time periods indicated. The Statement of Cash Flows report the sources and uses of cash during the periods indicated.

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

In addition to the financial statements and accompanying notes, required supplementary information is presented in a separate section illustrating CORSA's past seven 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 seven years.



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

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

Table 1 provides a summary of CORSA's Statements of Net Position as of April 30, 2014 and 2013.

Table 1:

	2014	2013	Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 12,988,291	\$ 9,743,864	\$ 3,244,427
Receivables	2,528,999	926,709	1,602,290
Investments	85,466,216	81,671,053	3,795,163
Investment in LLC	952,244	964,642	(12,398)
Investment in CRL	383,203	383,203	-
Property and equipment	115,014	94,697	20,317
Total assets	<u>\$ 102,433,967</u>	<u>\$ 93,784,168</u>	<u>\$ 8,649,799</u>
<b>Liabilities</b>			
Reserves for unpaid losses and loss adjustment expenses	\$ 22,146,284	\$ 20,500,000	\$ 1,646,284
Deferred member contributions	11,114,128	8,009,844	3,104,284
Accrued expenses and other	229,447	125,606	103,841
Total liabilities	<u>\$ 33,489,859</u>	<u>\$ 28,635,450</u>	<u>\$ 4,854,409</u>
<b>Net position</b>	<u>\$ 68,944,108</u>	<u>\$ 65,148,718</u>	<u>\$ 3,795,390</u>

Cash and cash equivalents were \$3,244,427 more on April 30, 2014 than on April 30, 2013. This increase is due to an increase in unearned premiums.

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

CORSA invested a large part of the 2013—2014 premiums for payment of that year's claims to be made in future years, and there was also a net change in investment value of close to \$1.7 million.

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

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In order to obtain a significant reduction in the cost of liability reinsurance, CORSA became a member of and purchased liability reinsurance from County Reinsurance Ltd. (CRL) effective May 1, 2008. CRL is a member-owned reinsurance company that was formed by county associations that operate their own risk sharing pools. CRL provides property, liability, and workers' compensation reinsurance to 23 county association-sponsored risk sharing pools. Each CRL member is required to maintain an equity balance which is proportional to its liability premium. As of April 30, 2014, CORSA's CRL equity balance was \$383,203.

Also in May of 2008, CORSA entered into an agreement with the County Commissioners' Association of Ohio and the County Employee Benefits Consortium of Ohio to form a limited liability company, County Governance Facility, LLC ("LLC"). The LLC was formed as a partnership with the three entities as members. The main purpose of forming the company was to purchase a building for office space for the three members. CORSA contributed \$1,000,000 to the LLC's capital and has an equal interest in the LLC with the other members. CORSA accounts for the investment under the equity method, and the amount of the investment was \$952,244 at April 30, 2014 and \$964,642 at April 30, 2013.

CORSA's assets in total increased \$8,649,799 from the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amounts at which an open claim will be settled and reserves established by an independent actuary for the estimated future development of claims, and reserves for incurred but not reported claims. Total reserves increased from \$20,500,000 in 2013 to \$22,146,284 in 2014, an increase of \$1,646,284.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions increased from \$8,009,844 in 2013 to \$11,114,128 in 2014. This increase in liabilities is due to more members paying their premiums prior to April 30 in 2014 than in 2013.

The increase in net position is driven by the net increase in investment value, and the ability to keep more invested funds due to fewer claims payments throughout the year.

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

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Table 2 presents the summarized financial position as of April 30, 2013 and 2012. More detailed information is available in the accompanying basic financial statement.

Table 2:

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

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

CORSA's investments increased \$7,325,440 between 2012 and 2013. CORSA invested a large part of the 2011-2012 premiums for payment of that year's claims to be made in future years. Also, there was a positive net gain in the value of the investments from interest income and realized and unrealized gains.

CORSA's assets in total increased by \$1,167,548 from the previous year.

The liability for unpaid losses and loss adjustment expenses include reserves established by CORSA adjustors for the estimated amounts at which an open claim can be settled and reserves established by an independent actuary for the estimated future development of claims. Total reserves decreased from \$22,450,000 in 2012 to \$20,500,000 in 2013, a decrease of \$1,950,000.

Deferred member contributions are renewal contributions for the upcoming fiscal year that have been paid or recognized as receivables in the current fiscal year but have not yet been earned. They are reported as a liability until they are earned. Deferred member contributions decreased from \$12,008,949 in 2012 to \$8,009,844 in 2013. This decrease in liabilities is due to less members paying their premiums prior to April 30 in 2013 than in 2012.

Net position increased by \$7,251,346 from 2012 to 2013. The increase in net position is driven by the increase in investment value.

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

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

Table 3 presents the summarized results of operations for the fiscal years ended April 30, 2014 and 2013. More detailed information is available in the accompanying basic financial statements.

Table 3:

	2014	2013	Increase (Decrease)
<b>Revenues</b>			
Member contributions (less commercial insurance)	\$ 20,029,328	\$ 20,047,850	\$ (18,522)
Net investment income	1,695,203	5,120,725	(3,425,522)
Other	(11,198)	6,290	(17,488)
Total income	<u>21,713,333</u>	<u>25,174,865</u>	<u>(3,461,532)</u>
<b>Expenses</b>			
Loss and loss adjustment expenses	14,978,958	15,086,880	(107,922)
Benefit for insured events of prior years	(3,162,491)	(3,442,143)	279,652
Marketing, administrative, and other	6,101,476	6,278,782	(177,306)
Total expenses	<u>17,917,943</u>	<u>17,923,519</u>	<u>(5,576)</u>
<b>Change in net position</b>	3,795,390	7,251,346	<u>\$ (3,455,956)</u>
Net position at beginning of period	<u>65,148,718</u>	<u>57,897,372</u>	
Net position at end of period	<u>\$ 68,944,108</u>	<u>\$ 65,148,718</u>	

Total member contributions decreased from \$20,047,850 in 2013 to \$20,029,328 in 2014.

The other part of the CORSA's income is investment income. Investment income earned by CORSA, before realized and unrealized gains and losses, was approximately \$2.5 million in 2013 and \$2.4 million in 2014. In 2014, there were (\$938,914) in unrealized losses due mainly to the decrease in the value of bonds in the portfolio, and \$435,519 in realized gains mostly from the sale of fixed income securities.

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

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

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The benefit for insured events of prior years represents the changes in the amounts estimated to be paid for all program years prior to the current program year. The estimated losses as of April 30, 2014 for each year prior to April 30, 2014 were compared to the estimated losses as of April 30, 2013. The benefit represents the total change in estimate from the previous year. This year, there was a benefit attributable to prior years, indicating a decrease in the estimated ultimate losses of previous years. The decrease is due to better than expected experience in previous years' claims, mainly in Property and Law Enforcement.

Due to an operating gain and a net investment gain, CORSA realized an overall net gain of \$3,795,390. The net gain included a \$2,111,385 operating gain and a \$1,684,005 non-operating (investment) gain. CORSA's net position, also known as member equity, was \$68,944,108 as of April 30, 2014.

Table 4 presents the summarized results of operations for the fiscal years ended April 30, 2013 and 2012. More detailed information is available in the accompanying basic financial statements.

Table 4:

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

Member contributions decreased from \$20,407,140 in 2012 to \$20,047,850 in 2013.

The other part of CORSA's income is investment income. Investment income earned by CORSA before realized and unrealized gains and losses was about \$2.4 million in 2013 and \$2.6 million in 2012. The decrease is due to better than expected experience in previous years' claims, mainly in Property and Law Enforcement.

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

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Loss and loss adjustment expenses for current year events are expenses for claims that have occurred during the current year. The expenses include payments for claims that have occurred during the current year, reserves that have been established by adjustors for pending open claims that have occurred during the current year, and an independent actuary's estimate of future development of these claims as well as an estimate of first party claims not reported yet for the current year.

The benefit for insured events of prior years' represents the changes in the amounts estimated to be paid for all program years prior to the current program year. The estimated losses as of April 30, 2013 for each year prior to April 30, 2013 were compared to the estimated losses as of April 30, 2012. The benefit represents the total change in estimate from the previous year. For fiscal year 2012-2013, there was a benefit attributable to prior years, indicating a decrease in the estimated ultimate losses of previous years. The decrease is due to better than expected experience in previous year's claims, especially in 2010-2011.

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

**Financial Analysis – Statements of Cash Flows**

This statement reviews how CORSA's cash balance changed during the fiscal year. It is divided into three different sections. Each explains where CORSA provided or used cash during the year. These sections relate to CORSA's operations, investing activities and capital and related financing activities. This statement provides detail regarding the increases and decreases in CORSA's cash position during the year.

The net cash generated from operating activities was \$(4,022,403) in 2013 compared to \$5,440,282 in 2014. This increase is mainly due to an increase in cash received from members and other parties during the time period, in addition to a decrease in paid for claims in the 2013-2014 year and in other expenses. Net cash from operating activities may fluctuate between the years as claim flows and the timing of receipts vary. CORSA maintains a healthy cash balance to cover claims and perpetuate investment income.

Cash generated from capital and financing activities changed from (\$22,751) in 2013 to (\$58,525) in 2014. Net cash consumed from investment activities changed from (\$2,217,817) in 2013 to (\$2,137,330) in 2014.

The net cash generated from operating activities was \$4,009,682 in 2012 compared to (\$4,022,403) in 2013. This decrease is mainly due to a decrease in cash received from members and other parties during the time period, in addition to an increase in paid claims in the 2012-2013 year and in other expenses.

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

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Cash generated from capital and financing activities changed from (\$81,514) in 2012 to (\$22,751) in 2013. Net cash consumed from investment activities changed from (\$2,228,626) in 2012 to (\$2,217,817) in 2013.

**Trends and Risks**

The risks to CORSA are primarily external in nature, and are due to the reinsurance market, weather events, and the economic and legal climates in Ohio. CORSA provides members with a vast array of risk management services to assist in preventing and controlling property and liability risks. With CORSA's \$1,000,000 self-insured retention, CORSA members are less vulnerable to the pricing cycles of the commercial insurance market. The current competitive property and casualty insurance market also presents challenges for program growth. However, CORSA has a high level of member support and loyalty, as members place a high value on the services provided by CORSA, and its track record of stable and competitive pricing. In its 25 year history, only one county has left the program, and that county has since rejoined the program.

**Request for information**

This financial report is designed to provide a general overview of CORSA's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to David Brooks, CORSA Managing Director, County Risk Sharing Authority, Inc., 209 E. State St., Columbus, Ohio 43215.

# COUNTY RISK SHARING AUTHORITY, INC.

## STATEMENTS OF NET POSITION APRIL 30, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,988,291	\$ 9,743,864
Receivables:		
Member deductibles receivable	597,097	539,107
Other receivable	38,785	33,055
Accrued interest receivable	393,117	354,547
Reinsurance receivable	1,500,000	-
Total current assets	<u>15,517,290</u>	<u>10,670,573</u>
<b>Investments</b>	85,466,216	81,671,053
<b>Investment in LLC</b>	952,244	964,642
<b>Property and equipment</b>		
Furniture and fixtures	62,103	62,103
Computer and equipment	19,285	19,285
Claims system	80,838	80,838
Vehicles	175,505	159,426
Total property and equipment	<u>337,731</u>	<u>321,652</u>
Accumulated depreciation	<u>(222,717)</u>	<u>(226,955)</u>
Property and equipment, net	115,014	94,697
<b>Investment in CRL</b>	<u>383,203</u>	<u>383,203</u>
Total	<u>\$ 102,433,967</u>	<u>\$ 93,784,168</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Reserves for unpaid losses and loss adjustment expenses	\$ 22,146,284	\$ 20,500,000
Deferred member contributions	11,114,128	8,009,844
Accrued expenses and other	229,447	125,606
Total liabilities	<u>33,489,859</u>	<u>28,635,450</u>
<b>Net position</b>		
Net position - unrestricted	68,829,094	65,054,021
Net position - invested in capital assets net of related debt	115,014	94,697
Total net position	<u>68,944,108</u>	<u>65,148,718</u>
Total liabilities and net position	<u>\$ 102,433,967</u>	<u>\$ 93,784,168</u>

*See accompanying notes to financial statements.*



## COUNTY RISK SHARING AUTHORITY, INC.

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

	2014	2013
<b>Operating revenues</b>		
Member contributions	\$ 23,620,353	\$ 23,405,531
Less commercial insurance coverages	3,591,025	3,357,681
Total operating revenues	20,029,328	20,047,850
<b>Operating expenses</b>		
Loss and loss adjustment expenses	14,978,958	15,086,880
Benefit for insured events of prior years	(3,162,491)	(3,442,143)
Brokerage fees	275,000	275,000
Agent fees	1,384,582	1,387,962
Depreciation	38,208	20,110
Distribution to members	1,601,424	1,600,000
Special program expenses	313,647	570,757
General and administrative expenses	2,488,615	2,424,953
Total expenses	17,917,943	17,923,519
<b>Operating gain</b>	2,111,385	2,124,331
<b>Non-operating (expenses) income</b>		
Investment income	2,368,175	2,623,816
Unrealized gain on investments	(938,914)	1,912,119
Gain/(Loss) on sale of investments	435,519	758,376
Other income	1,200	5,115
Gain (Loss) on investment in LLC	(12,398)	1,175
Investment fees	(169,577)	(173,586)
Non-operating income - net	1,684,005	5,127,015
<b>Change in net position</b>	3,795,390	7,251,346
<b>Net position at beginning of period</b>	65,148,718	57,897,372
<b>Net position at end of period</b>	\$ 68,944,108	\$ 65,148,718

*See accompanying notes to financial statements.*

# COUNTY RISK SHARING AUTHORITY, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

	2014	2013
<b>Operating activities</b>		
Cash received from members and other parties	\$ 25,160,917	\$ 19,323,380
Cash paid for commercial insurance	(3,591,025)	(3,357,681)
Cash paid for claims	(10,170,183)	(13,594,737)
Cash paid for other expenses	(5,959,427)	(6,393,365)
Net cash flows from operating activities	5,440,282	(4,022,403)
<b>Capital and related financing activities</b>		
Disposal of capital assets	4,824	-
Purchase of capital assets	(63,349)	(22,751)
Net cash flows from capital and related financing activities	(58,525)	(22,751)
<b>Investing activities</b>		
Change in investments	(3,795,163)	(7,383,731)
Interest received on investment and cash equivalents	1,657,833	5,165,914
Net cash flows from investing activities	(2,137,330)	(2,217,817)
Net change in cash and cash equivalents	3,244,427	(6,262,971)
<b>Cash and cash equivalents - beginning of period</b>	9,743,864	16,006,835
<b>Cash and cash equivalents - end of period</b>	\$ 12,988,291	\$ 9,743,864
<b>Reconciliation of change in net position to net cash flows from operating activities:</b>		
Operating gain	\$ 2,111,385	\$ 2,124,331
Adjustments to reconcile to operating gain net cash from operating activities:		
Depreciation	38,208	20,110
Member deductibles receivable	(57,990)	(79,998)
Other receivable	(5,730)	(3,048)
Reserve for unpaid losses and loss adjustment expenses	1,646,284	(1,950,000)
Deferred member contributions	3,104,284	(3,999,105)
Accrued expenses and other	103,841	(134,693)
Net cash from operating activities	\$ 5,440,282	\$ (4,022,403)

*See accompanying notes to financial statements.*

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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### 1. ORGANIZATION

County Risk Sharing Authority, Inc. (CORSA) is a self-insurance pool that was established in 1987 by the County Commissioners' Association of Ohio (CCAO) for the purpose of providing property and liability coverage and comprehensive risk-management services (the "Program") for CCAO members. As of April 30, 2014, sixty-five (65) Ohio counties and twenty-four (24) county-related entities were members of CORSA.

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

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

#### 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.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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### Cash and Cash Equivalents

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

### Deductibles Receivable

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

### Reinsurance Receivable

Paid losses recoverable from excess insurance carriers are recognized when claim is approved by the carrier.

### Investments

Investments are reported at market value based on quoted market prices as established by the major securities markets. Investment income includes interest, dividend and amortization of premiums and accretion of discounts using the effective interest method relating to debt securities acquired at other than par value and is recorded on the accrual basis. Unrealized gains and losses and realized gains and losses are determined on the identified cost basis and are reflected in the statements of revenues, expenses and changes in net position. All of CORSA's investments are subject to market risk and fair value changes over time could be significant.

### Property and Equipment

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

### Member Contributions

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

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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### Unpaid Losses and Loss Adjustment Expense

Unpaid losses and loss adjustment expenses include the estimated costs of investigating and settling all claims reported as of the statement of net position date. Such amounts are determined on the basis of claims adjusters' evaluations of losses reported for liability claims and losses incurred for property claims and reserves established by an independent actuary for the estimated future development of open and unreported claims as of the statement of net position date. Such reserves are necessarily based upon estimates and, while management believes the amount is adequate, the ultimate liability may differ from amount provided for in the statement of net position. 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.

### Net Position

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

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

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

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

As of April 30, 2014 and 2013, CORSA does not have any "restricted" net position. The CORSA Board of Directors may authorize the distribution of the net position to those members who constituted the self-insurance pool during the years when such net position was 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.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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### Risk Management

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

### Subsequent Events

CORSA has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is July 29, 2014 and has determined there were no material subsequent events or transactions.

## **3. CASH AND INVESTMENTS**

CORSA's cash and investment activities are governed by policies adopted by the Board of Directors and established in an Investment Policy Statement (IPS) implemented by the Board in 2001. The IPS is reviewed by the Board and CORSA Management at least on an annual basis and updated as deemed necessary. The IPS establishes risk guidelines, investment goals, and asset allocation guidelines. CORSA contracts with Strategic Asset Alliance (SAA) for investment advisor services. SAA provides investment advisory services only to insurance companies and risk sharing pools similar to CORSA. The Board receives quarterly investment reports. Investment management of the assets is targeted for 80% in fixed income securities and 20% in equities and high yield bonds, after a cash reserve is set aside for the immediate payment of claims.

### *Cash and cash equivalents*

To maintain the ability to meet cash requirements for the payment of claims, the IPS stipulates that a minimum of \$1,000,000 be maintained in cash or cash equivalents, including money market funds. Cash and cash equivalents include bank deposits in checking accounts and interest-bearing money market accounts, as well as funds held in highly liquid securities in the investment pools. At April 30, 2014, the carrying amount of CORSA's cash and cash equivalents was \$12,988,291. Of this amount, \$250,000 was insured by Federal Deposit Insurance Corporation (FDIC) and \$250,000 was insured by Securities Investor Protection Corporation (SIPC). CORSA maintains balances that are in excess of those insured by the FDIC and SIPC. However, to date no losses have been experienced.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

### *Investments*

Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2014, the carrying amount of CORSA's investments was \$85,466,216. Of this amount, \$500,000, including \$250,000 noted above for cash balances was insured by SIPC. The CORSA Investment Policy stipulates that CORSA's fixed income assets may be invested only in investment grade bonds rated BBB (or equivalent) or better unless the Board makes a specific exception.

Investments held by CORSA at April 30, 2014 are presented below, categorized by investment type and credit quality rating.

<b>Investment Type</b>	<u>Fair Value</u>	<u>Not rated</u>	<u>AAA</u>	<u>AA, A, and BBB</u>
US Treasury Bonds	\$ 9,356,654	\$ -	\$ 9,356,654	\$ -
Mutual Funds	17,751,860	17,751,860	-	-
Asset-backed bonds	29,875,979	-	29,875,979	-
Corporate bonds	22,058,990	-	-	22,058,990
International Equity Securities	4,774,093	4,774,093	-	-
Municipal bonds	1,648,640	-	286,930	1,361,710
<b>Total investments</b>	<u><u>\$ 85,466,216</u></u>	<u><u>\$ 22,525,953</u></u>	<u><u>\$ 39,519,563</u></u>	<u><u>\$ 23,420,700</u></u>

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

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

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

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

The following table presents CORSA's bond investments as of April 30, 2014 by length of maturity.

Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
US treasury bonds	\$ 9,356,654	\$ -	\$ 6,049,326	\$ 1,783,183	\$ 1,524,145
Asset-backed bonds	29,875,979	-	3,672,184	724,384	25,479,411
Corporate bonds	22,058,990	-	5,639,769	13,438,684	2,980,537
Municipal bonds	1,648,640	-	713,097	136,465	799,078
Total bonds	<u>\$ 62,940,263</u>	<u>\$ -</u>	<u>\$ 16,074,376</u>	<u>\$ 16,082,716</u>	<u>\$ 30,783,171</u>

The following table presents CORSA's bond investments as of April 30, 2013, by length of maturity.

Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
US treasury bonds	\$ 10,019,210	\$ 1,212,709	\$ 2,294,426	\$ 3,494,685	\$ 3,017,390
Asset-backed bonds	31,084,884	-	5,238,805	1,492,887	24,353,192
Corporate bonds	18,609,130	-	4,935,164	11,086,755	2,587,211
Municipal bonds	1,745,309	-	457,212	416,581	871,516
Total bonds	<u>\$ 61,458,533</u>	<u>\$ 1,212,709</u>	<u>\$ 12,925,607</u>	<u>\$ 16,490,908</u>	<u>\$ 30,829,309</u>

#### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

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

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



# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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*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.

There were no transfers between hierarchy levels during 2014 and 2013. CORSA's policy is to recognize transfers between levels as of the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2014 and 2013.

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

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

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

Assets and liabilities measured at fair value on a recurring basis as of April 30, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Asset-backed bonds				
Federal Home Loan Mortgage Corporation	\$ -	\$ 11,828,888	\$ -	11,828,888
Federal National Mortgage Association	-	9,712,965	-	9,712,965
Government National Mortgage Association	-	6,360,211	-	6,360,211
Other Asset-backed bonds	-	1,973,915	-	1,973,915
US treasury bonds	-	9,356,654	-	9,356,654
Municipal bonds	-	1,648,640	-	1,648,640
Corporate bonds				
Industrials	-	1,594,338	-	1,594,338
Healthcare	-	2,365,295	-	2,365,295
Communication Services	-	2,072,925	-	2,072,925
Financial Services	-	5,251,103	-	5,251,103
Consumer Defensive	-	642,873	-	642,873
Technology	-	2,074,639	-	2,074,639
Utilities	-	851,707	-	851,707
Consumer Cyclical	-	2,058,622	-	2,058,622
Energy	-	2,280,609	-	2,280,609
Basic materials	-	757,659	-	757,659
Other corporate bonds	-	2,109,220	-	2,109,220
Mutual funds				
Large cap	12,598,552	-	-	12,598,552
International	4,774,093	-	-	4,774,093
Fixed income	5,153,308	-	-	5,153,308
Total assets at fair value	<u>\$ 22,525,953</u>	<u>\$ 62,940,263</u>	<u>\$ -</u>	<u>\$ 85,466,216</u>

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

	Level 1	Level 2	Level 3	Total
Assets:				
Asset-backed bonds				
Federal Home Loan Mortgage Corporation	\$ -	\$ 6,754,010	\$ -	\$ 6,754,010
Federal National Mortgage Association	-	11,864,172	-	11,864,172
Government National Mortgage Association	-	7,727,041	-	7,727,041
Other Asset-backed bonds	-	4,739,662	-	4,739,662
US treasury bonds	-	10,019,210	-	10,019,210
Municipal bonds	-	1,745,309	-	1,745,309
Corporate bonds				
Industrials	-	1,748,503	-	1,748,503
Healthcare	-	1,678,545	-	1,678,545
Communication Services	-	1,806,586	-	1,806,586
Financial Services	-	4,254,403	-	4,254,403
Consumer Defensive	-	1,064,605	-	1,064,605
Technology	-	1,122,942	-	1,122,942
Consumer Cyclical	-	1,990,578	-	1,990,578
Energy	-	1,034,396	-	1,034,396
Basic materials	-	1,053,159	-	1,053,159
Other corporate bonds	-	2,855,415	-	2,855,415
Mutual funds				
Large cap	10,467,750	-	-	10,467,750
International	4,960,455	-	-	4,960,455
Fixed income	4,784,315	-	-	4,784,315
Total assets at fair value	<u>\$ 20,212,520</u>	<u>\$ 42,849,403</u>	<u>\$ -</u>	<u>\$ 81,671,053</u>

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

### 5. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The changes in the reserves for unpaid losses and loss adjustment expenses for the years ended April 30, 2014 and 2013, are as follows:

	2014	2013
Unpaid losses and loss adjustment expenses, beginning of the fiscal year	\$ 20,500,000	\$ 22,450,000
Incurring losses and loss adjustment expenses:		
Provision of insured events of the current fiscal year	14,978,958	15,086,880
Benefit for insured events of prior fiscal years	(3,162,491)	(3,442,143)
Total incurred losses and loss adjustment expenses	11,816,467	11,644,737
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	4,151,661	5,057,937
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	6,018,522	8,536,800
Total payments	10,170,183	13,594,737
Total unpaid losses and loss adjustment expenses, end of the fiscal year	\$ 22,146,284	\$ 20,500,000

### 6. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended April 30, 2014, was as follows:

	April 30, 2013	Additions	Deductions	April 30, 2014
Capital assets being depreciated:				
Furniture and fixtures	\$ 62,103	\$ -	\$ -	\$ 62,103
Computer and equipment	19,285	-	-	19,285
Claims systems	80,838	-	-	80,838
Vehicles	159,426	63,349	47,270	175,505
Total property and equipment	321,652	63,349	47,270	337,731
Less accumulated depreciation:				
Furniture and fixtures	61,108	722	-	61,830
Computer and equipment	19,284	-	-	19,284
Claims systems	80,839	-	-	80,839
Vehicles	65,724	37,486	42,446	60,764
Total accumulated depreciation	226,955	38,208	42,446	222,717
Total capital assets being depreciated - net	\$ 94,697	\$ 25,141	\$ 4,824	\$ 115,014

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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

	April 30, 2012	Additions	Deductions	April 30, 2013
Capital assets being depreciated:				
Furniture and fixtures	\$ 62,103	\$ -	\$ -	\$ 62,103
Computer and equipment	21,198	-	1,913	19,285
Claims systems	80,838	-	-	80,838
Vehicles	163,241	22,751	26,566	159,426
Total property and equipment	327,380	22,751	28,479	321,652
Less accumulated depreciation:				
Furniture and fixtures	60,387	721	-	61,108
Computer and equipment	21,197	-	1,913	19,284
Claims systems	80,839	-	-	80,839
Vehicles	72,901	19,389	26,566	65,724
Total accumulated depreciation	235,324	20,110	28,479	226,955
Total capital assets being depreciated - net	\$ 92,056	\$ 2,641	\$ -	\$ 94,697

## 7. SELF-INSURED RETENTION AND REINSURANCE

CORSA retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance and reinsurance contracts. CORSA's retention limit for all liability coverage was \$1,000,000 per occurrence for fiscal years ended in 2014 and 2013. The exception was \$2,000,000 for the general liability and medical professional liability for county homes, \$1,000,000 for medical professional liability for jail physicians and \$50,000 for equipment breakdown/boiler claims. As of April 30, 2014, CORSA provided liability coverage for 21 county homes with 10 being certified as Medicare/Medicaid care, and the remaining being assisted living facilities.

CORSA maintains reinsurance contracts with insurance carriers who provide coverage above CORSA's self-insured retention limits. For liability coverage, each member chooses its limits of liability, with limits varying between \$1,000,000 and \$11,000,000.

In the event that a loss should exceed the amount of coverage provided by CORSA, then the payment of any loss in excess of the limit provided by CORSA is the obligation of the individual member or members against which the claims were made. In the unlikely event that all or any of the insurance companies are unable to meet their obligations under the excess insurance and reinsurance contracts, CORSA and its members would be responsible for such defaulted amounts. Premiums ceded to reinsurers were \$3,591,025 and \$3,357,681 for fiscal years 2014 and 2013, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$1,674,895 and \$626,726 for fiscal years 2014 and 2013, respectively.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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### **8. TAX STATUS**

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if an uncertain position has been taken that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by CORSA and has concluded that as of April 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### **9. COMMITMENTS**

The County Employee Benefits Consortium of Ohio, Inc (CEBCO) is a non-profit organization also formed by CCAO. CORSA, CEBCO, and CCAO committed to pay \$250,000 to County Governance Facility LLC, for maintenance, repairs, and up-keep relating to their property during 2013 and 2014. CORSA's portion of this commitment to be paid in fiscal year 2014 is \$109,766.

### **10. INVESTMENT IN COUNTY REINSURANCE, LIMITED**

As of April 30, 2014 CORSA has a 3.9% interest in County Reinsurance, Ltd. (CRL). CRL is a member-owned reinsurance company, which provides reinsurance coverage for property, liability, and workers' compensation insurance. CORSA accounts for its investment in CRL under the cost method.

# COUNTY RISK SHARING AUTHORITY, INC.

## NOTES TO FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013

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### 11. RETIREMENT BENEFITS

The CCAO maintains a defined contribution plan covering employees who meet certain age and service requirements. Eligible CORSA employees are covered under this plan. The amount contributed to the plan by CCAO is not to exceed 10 percent of each eligible employee's annual qualified compensation. Contributions to the plan are made at the discretion of the Board of Directors of CCAO. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. CORSA has no further retirement benefit obligation. Expense of \$98,453 and \$96,293 was incurred by CORSA for fiscal years ended April 30, 2014 and 2013, respectively.

CCAO also provides postemployment medical and life insurance benefits to age and service retirees with qualifying service credit and to surviving spouses of such retirees. These benefits are funded by yearly contributions from CCAO, as determined by the CCAO Board. CORSA then compensates CCAO for their portion of the contribution. The amount contributed by CORSA is approved by the CORSA Board. CORSA has no further postemployment insurance benefit obligation. Expense of \$5,855 and \$17,246 was incurred by CORSA for fiscal years ended April 30, 2014 and 2013, respectively.

### 12. JOINT VENTURE

In May of 2008, CORSA entered into a joint venture with the County Commissioners' Association of Ohio and the County Employee Benefits Consortium of Ohio to form County Governance Facility, LLC ("LLC"). The LLC was formed as a partnership with the three entities as members. The main purpose of this joint venture was to purchase a building for office space for the three members. CORSA contributed \$1,000,000 to fund its 33.3% portion of the joint venture. CORSA accounts for the investment under the equity method. CORSA's portion of the gain/(loss) was (\$12,398) and \$1,175 as of April 30, 2014 and 2013.

### 13. RELATED PARTY

During the 2014 and 2013 fiscal years, CORSA paid \$1,665,334 and \$1,773,552, respectively, to CCAO for management, legislative, and administrative services. CORSA's accrued expenses owed to CCAO as of April 30, 2014 and 2013 were \$111,286 and \$2,850, respectively.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# COUNTY RISK SHARING AUTHORITY, INC.

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

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The following table illustrates how CORSA's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of reinsurance) and other expenses assumed by CORSA as of the end of the latest fiscal period. The rows of the table are defined as follows: (1) this line shows the total of the earned contribution revenues and investment revenues. (2) This line shows the other operating costs of CORSA including overhead and claims expense not allocable to individual claims. (3) This line shows CORSA's estimated incurred claims and allocated claim adjustment expense (both paid and accrued) as reported at the end of the first year in which the event that triggered coverage under the contract occurred (called the policy year). (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section shows how each policy years incurred claims increased or decreased as of the end of successive years. These annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known related to property claims. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. (6) This section shows the Increase/(decrease) in estimate between the years. (7) This section shows the increase/ (decrease) in estimate from the original year



## COUNTY RISK SHARING AUTHORITY, INC.

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

	<u>April 30, 2008</u>	<u>April 30, 2009</u>	<u>April 30, 2010</u>	<u>April 30, 2011</u>	<u>April 30, 2012</u>	<u>April 30, 2013</u>	<u>April 30, 2014</u>
(1) Net earned required contributions and investments and other revenues	\$ 20,823,812	\$ 13,802,897	\$ 29,396,497	\$ 26,161,331	\$ 24,669,635	\$ 25,348,450	\$ 21,882,910
(2) Unallocated expenses	7,319,657	7,102,200	7,592,856	6,275,407	6,729,999	6,452,368	6,271,053
(3) Estimated losses/LAE	16,595,959	15,856,785	14,413,083	13,217,939	12,480,242	15,086,880	14,978,958
(4) Paid:							
End of policy year	4,366,627	4,949,790	3,746,175	3,002,120	3,035,505	5,057,937	4,151,661
One year later	9,780,937	7,808,885	6,655,871	7,271,874	6,865,094	7,108,802	-
Two years later	11,054,653	10,043,440	7,079,093	9,045,134	8,898,813	-	-
Three years later	11,635,469	11,006,656	7,997,247	9,482,010	-	-	-
Four years later	12,369,186	12,605,162	8,193,133	-	-	-	-
Five years later	12,554,834	12,738,320	-	-	-	-	-
Six years later	12,544,602	-	-	-	-	-	-
(5) Re-estimated losses/LAE							
End of policy year	16,595,959	15,856,785	14,413,083	13,217,939	12,480,242	15,086,880	14,978,958
One year later	16,501,112	14,529,964	10,689,509	13,133,778	12,624,085	12,832,585	-
Two years later	14,518,167	14,732,020	9,226,352	11,548,166	11,044,666	-	-
Three years later	13,405,412	14,182,062	8,575,783	11,632,157	-	-	-
Four years later	12,856,139	13,296,436	8,563,693	-	-	-	-
Five years later	12,958,086	12,910,175	-	-	-	-	-
Six years later	12,706,016	-	-	-	-	-	-
(6) Increase/(Decrease) in estimate from previous year	(252,070)	(386,261)	(12,090)	83,991	(1,579,419)	(2,254,295)	-
(7) Decrease in estimate from original year	\$ (3,889,943)	\$ (2,946,610)	\$ (5,849,390)	\$ (1,585,782)	\$ (1,435,576)	\$ (2,254,295)	\$ -
* The above schedule is not on a 10 year basis due to a change in 2008 from a policy year basis to a claims made basis.							

See report of independent auditors on page 1.



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

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

We have audited 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, the financial statements of County Risk Sharing Authority, Inc. (CORSA) as of and for the years ended April 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise CORSA's basic financial statements have issued our report thereon dated July 29, 2014.

### ***Internal Control Over Financial Reporting***

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

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

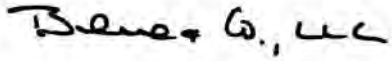
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

### ***Compliance and Other Matters***

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

**Purpose of this Report**

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

Handwritten signature in black ink, appearing to read "Bruce G. Lee".

July 29, 2014

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# Dave Yost • Auditor of State

**COUNTY RISK SHARING AUTHORITY, INC.**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 18, 2014**