

---

# County Risk Sharing Authority, Inc.

---

**Financial Report  
with Supplemental Information  
April 30, 2020**





88 East Broad Street  
Columbus, Ohio 43215  
IPARepoort@ohioauditor.gov  
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the County Risk Sharing Authority, Inc., Franklin County, prepared by Plante & Moran, PLLC, for the audit period May 1, 2019 through April 30, 2020. 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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 1, 2020

**This page intentionally left blank.**

|  |       |
|--|-------|
| <b>Independent Auditor's Report</b>  | 1-2   |
| <b>Management's Discussion and Analysis</b>  | 3-5   |
| <b>Basic Financial Statements</b>  |       |
| Statement of Net Position  | 6     |
| Statement of Revenue, Expenses, and Changes in Net Position  | 7     |
| Statement of Cash Flows  | 8     |
| Notes to Financial Statements  | 9-19  |
| <b>Required Supplemental Information</b>   | 20    |
| Schedule of Claims Development   | 21-22 |
| <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters<br/>Based on an Audit of Financial Statements Performed in Accordance with <i>Government<br/>Auditing Standards</i></b> | 23-24 |

**This page intentionally left blank.**

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of County Risk Sharing Authority, Inc. (CORSA) as of and for the years ended April 30, 2020 and 2019 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 the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of County Risk Sharing Authority, Inc. as of April 30, 2020 and 2019 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

**Other Matter**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of claims development be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2020 on our consideration of County Risk Sharing Authority, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering County Risk Sharing Authority, Inc.'s internal control over financial reporting and compliance.



August 5, 2020

**Using This Annual Report**

The management of County Risk Sharing Authority, Inc. (CORSA) offers this overview of the organization and analysis of the financial activities of CORSA for the fiscal years ended April 30, 2020, 2019, and 2018. 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 position.

**Financial Overview**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The basic financial statements, which follow this section, provide both long-term and short-term information about CORSA's financial status. CORSA uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The three basic financial statements presented are as follows:

- Statement of net position - This statement presents information reflecting CORSA's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities.
- Statement of revenue, expenses, and changes in net position - This statement reflects operating and nonoperating revenue and expenses. Operating revenue consists primarily of premiums net of reinsurance premiums, with the major source of operating expenses being loss and loss adjustment expense, and general and administrative expenses. Nonoperating revenue and expenses consist primarily of investment activity.
- Statement of cash flows - This statement is presented on the direct method of reporting and reflects cash flows from operating, financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

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

As of April 30, 2020, 66 counties and 39 county-related entities were members of CORSA during the 2019-2020 fiscal year.

Approximately 98 percent of total assets consists of cash, cash equivalents, and investments at April 30, 2020, 2019, and 2018. Approximately 71 percent, 73 percent, and 74 percent of total liabilities consist of loss and loss adjustment expense reserves at April 30, 2020, 2019, and 2018, respectively. CORSA participates in a joint venture for shared facility costs and has no significant investments in capital assets. CORSA carries no long-term debt. CORSA's financial position is presented below:

|                        | 2020                 | 2019                 | 2018                 |
|------------------------|----------------------|----------------------|----------------------|
| <b>Assets</b>          |                      |                      |                      |
| Current assets         | \$ 36,466,566        | \$ 32,424,571        | \$ 30,961,746        |
| Noncurrent assets      | 105,798,097          | 99,118,654           | 92,254,138           |
| Total assets           | 142,264,663          | 131,543,225          | 123,215,884          |
| <b>Liabilities</b>     |                      |                      |                      |
| Current liabilities    | 27,511,390           | 22,955,520           | 17,493,348           |
| Noncurrent liabilities | 20,314,000           | 19,527,000           | 11,120,000           |
| Total liabilities      | 47,825,390           | 42,482,520           | 28,613,348           |
| <b>Net Position</b>    | <b>\$ 94,439,273</b> | <b>\$ 89,060,705</b> | <b>\$ 94,602,536</b> |

## County Risk Sharing Authority, Inc.

### Management's Discussion and Analysis (Continued)

The following table shows the major components of (loss) income from operations:

|                                | 2020                | 2019                  | 2018                |
|--------------------------------|---------------------|-----------------------|---------------------|
| <b>Operating Revenue</b>       | \$ 18,267,114       | \$ 17,206,318         | \$ 18,168,144       |
| <b>Operating Expenses</b>      | 20,451,275          | 29,969,955            | 17,699,943          |
| <b>Operating (Loss) Income</b> | (2,184,161)         | (12,763,637)          | 468,201             |
| <b>Nonoperating Revenue</b>    | 7,562,729           | 7,221,806             | 1,908,412           |
| <b>Change in Net Position</b>  | <u>\$ 5,378,568</u> | <u>\$ (5,541,831)</u> | <u>\$ 2,376,613</u> |

Total estimated claims incurred for the policy year consist of claim payments, known reserves, and an estimate of claims incurred but not reported determined by an independent actuary. The methods of making such estimates are reviewed by management and are made according to industry practice. Any changes to these estimates will have an impact on reported results of future periods.

#### **Condensed Comparative Financial Highlights**

- Reserves for unpaid loss and loss adjustment expenses (reported net of estimated reinsurance recoveries) increased by \$2,906,995 between April 30, 2019 and April 30, 2020. This was mainly due to a slowing in the timing of payments of claims. Reserves for unpaid loss and loss adjustment expenses increased by \$9,702,005 between April 30, 2018 and April 30, 2019. This was mainly due to a change in coverage from claims-made to occurrence policies, which increased CORSA's current liability (as of April 30, 2019) for claims already incurred.
- Operating revenue, which represents member premiums net of reinsurance premium expense, increased by \$1,060,796 in 2020 and decreased by \$961,826 in 2019. The increase in 2020 was due to a lower reinsurance cost in 2020 than in 2019. The decrease in 2019 was attributable to an increase in the reinsurance premium due to the addition of extended reporting period coverage to cover claims incurred before 2018-2019 but not yet reported.
- Loss and loss adjustment expenses decreased by \$8,890,140 between April 30, 2019 and April 30, 2020 and increased by \$11,432,448 between April 30, 2018 and April 30, 2019. The increase in 2019 was mainly the result of the change from claims-made to occurrence policies on several coverage types, which provided enhanced coverage to members without an increase in premium, to include claims incurred in all prior years that had not yet been reported. In 2020, the loss expenses decreased because only one year of losses was included.
- Other operating expenses were relatively consistent for all three years, except for an increase of approximately \$1,000,000 in the 2018-2019 year in dividends given to members.
- Nonoperating revenue increased by \$340,923 from April 30, 2019 to April 30, 2020 and by \$5,313,394 from April 30, 2018 to April 30, 2019. Changes in respective years were mainly attributable to the market value of investments.
- Overall, CORSA's net position increased by \$5,378,568 from \$89,060,705 at April 30, 2019 to \$94,439,273 at April 30, 2020. This increase was mainly due to positive investment gains. CORSA's net position decreased by \$5,541,831 from \$94,602,536 at April 30, 2018 to \$89,060,705 at April 30, 2019. The main reason for this decrease was a change in coverage from claims-made to occurrence policies on multiple types of claims, creating a higher liability for CORSA without a corresponding increase in premiums.

***Economic Factors and Risks***

The risks to CORSA are primarily external in nature and are driven by 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. CORSA has expanded its coverage and risk management services in recent years to meet the needs of members caused by cybercrimes and other cyber risks. With CORSA's \$1,000,000 self-insured retention for liability and \$1,500,000 self-insured retention for property, CORSA members are less vulnerable to the pricing cycles of the commercial insurance market.

The legal climate in Ohio is stable, with no significant judicial or legislative developments expected to occur in the next year that would have a significant impact on the operations of CORSA. As of the date of this report, CORSA has continued to evaluate the impacts that the COVID-19 pandemic may have on CORSA's claims costs. Through June 30, 2020, CORSA has experienced a minimal decrease in the number of claims that may have been a result of the stay-at-home order imposed by the State of Ohio during the pandemic. However, the long-term impacts are still unknown.

***Contacting the Pool's Management***

This financial report is designed to provide the users of CORSA's services, governments, taxpayers, and creditors with a general overview of the organization's finances. If you have any questions about this report or need additional information, we welcome you to contact the managing director of property and casualty insurance 209 E. State Street, Columbus, OH 43215.

## County Risk Sharing Authority, Inc.

## Statement of Net Position

April 30, 2020 and 2019

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets:  |                      |                      |
| Cash and cash equivalents (Note 3)   | \$ 18,238,984        | \$ 10,391,410        |
| Investments (Notes 3 and 11)   | 16,123,099           | 19,920,160           |
| Receivables:   |                      |                      |
| Other  | 11,567               | 3,070                |
| Member deductibles   | 856,955              | 964,527              |
| Accrued interest   | 564,600              | 538,286              |
| Prepaid expenses   | 671,361              | 607,118              |
| Total current assets   | 36,466,566           | 32,424,571           |
| Noncurrent assets:   |                      |                      |
| Investments (Notes 3 and 11)   | 95,767,662           | 95,187,598           |
| Investment in County Reinsurance, Ltd. (Note 9)  | 3,888,896            | 2,930,774            |
| Investment in County Reinsurance, Ltd. Property Plus (Note 9)                          | 5,132,399            | -                    |
| Investment in County Governance Facility, LLC (Note 8)                                 | 896,527              | 914,315              |
| Capital assets - Net of depreciation (Note 6)  | 112,613              | 85,967               |
| Total noncurrent assets  | 105,798,097          | 99,118,654           |
| Total assets   | 142,264,663          | 131,543,225          |
| <b>Liabilities</b>   |                      |                      |
| Current liabilities:   |                      |                      |
| Accounts payable   | 209,855              | 194,449              |
| Current portion of reserves for unpaid loss and loss adjustment expenses (Note 4)      | 13,415,000           | 11,295,005           |
| Unearned member contributions  | 13,886,535           | 11,466,066           |
| Total current liabilities  | 27,511,390           | 22,955,520           |
| Noncurrent liabilities - Reserve for unpaid loss and loss adjustment expenses (Note 4) | 20,314,000           | 19,527,000           |
| Total liabilities  | 47,825,390           | 42,482,520           |
| <b>Net Position</b>  |                      |                      |
| Net investment in capital assets   | 112,613              | 85,967               |
| Unrestricted   | 94,326,660           | 88,974,738           |
| Total net position   | <u>\$ 94,439,273</u> | <u>\$ 89,060,705</u> |

## County Risk Sharing Authority, Inc.

### Statement of Revenue, Expenses, and Changes in Net Position

Years Ended April 30, 2020 and 2019

|  | <u>2020</u>                 | <u>2019</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Operating Revenue</b>   |                             |                             |
| Member contributions   | \$ 21,988,118               | \$ 21,961,713               |
| Reinsurance premium expense (Note 5)                                   | <u>(3,721,004)</u>          | <u>(4,755,395)</u>          |
| Total operating revenue  | 18,267,114                  | 17,206,318                  |
| <b>Operating Expenses</b>  |                             |                             |
| Provision for losses: (Note 4)   |                             |                             |
| Loss and loss adjustment expenses                                      | 14,340,000                  | 23,101,000                  |
| Benefit for insured events of prior years                              | <u>(2,285,370)</u>          | <u>(2,156,230)</u>          |
| Total provision for losses   | 12,054,630                  | 20,944,770                  |
| Agent fees   | 1,302,506                   | 1,300,875                   |
| General and administrative fees  | 2,680,766                   | 2,552,046                   |
| Brokerage fees   | 125,000                     | 125,000                     |
| Special program expenses   | 1,742,832                   | 1,511,466                   |
| Distribution to members  | 2,511,028                   | 3,495,602                   |
| Depreciation (Note 6)  | <u>34,513</u>               | <u>40,196</u>               |
| Total operating expenses   | <u>20,451,275</u>           | <u>29,969,955</u>           |
| <b>Operating Loss</b>  | (2,184,161)                 | (12,763,637)                |
| <b>Nonoperating Revenue (Expense)</b>                                  |                             |                             |
| Interest and dividend income   | 3,711,795                   | 3,645,412                   |
| Realized and unrealized gains on investments                           | 2,965,457                   | 3,475,825                   |
| Gain on investment in County Reinsurance, Ltd. (Note 9)                | 958,122                     | 289,975                     |
| Gain on investment in Country Reinsurance, Ltd. Property Plus (Note 9) | 132,399                     | -                           |
| Loss on investment in County Governance Facility, LLC (Note 8)         | (17,788)                    | (981)                       |
| Investment fees  | (200,052)                   | (198,642)                   |
| Other income   | <u>12,796</u>               | <u>10,217</u>               |
| Total nonoperating revenue   | <u>7,562,729</u>            | <u>7,221,806</u>            |
| <b>Change in Net Position</b>  | 5,378,568                   | (5,541,831)                 |
| <b>Net Position - Beginning of year</b>                                | <u>89,060,705</u>           | <u>94,602,536</u>           |
| <b>Net Position - End of year</b>                                      | <u><u>\$ 94,439,273</u></u> | <u><u>\$ 89,060,705</u></u> |

## County Risk Sharing Authority, Inc.

## Statement of Cash Flows

Years Ended April 30, 2020 and 2019

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>  |                      |                      |
| Cash received from premiums and other  | \$ 24,400,090        | \$ 26,384,087        |
| Cash paid for excess insurance   | (3,743,708)          | (4,939,881)          |
| Cash paid for loss and loss adjustment   | (9,040,063)          | (11,380,650)         |
| Cash paid to vendors for goods and services  | (8,388,265)          | (9,209,769)          |
| Net cash provided by operating activities  | 3,228,054            | 853,787              |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                      |                      |
| Proceeds from sale of capital assets   | 15,000               | 9,442                |
| Purchase of capital assets   | (65,100)             | -                    |
| Net cash (used in) provided by capital and related financing activities                                      | (50,100)             | 9,442                |
| <b>Cash Flows from Investing Activities</b>  |                      |                      |
| Interest and dividends received on investments   | 3,128,658            | 3,044,267            |
| Purchases of investment securities   | (21,353,684)         | (25,934,683)         |
| Proceeds from sale and maturities of investment securities   | 28,094,698           | 23,952,266           |
| Investment fees paid   | (200,052)            | (198,642)            |
| Investment in CRL Property Plus Program  | (5,000,000)          | -                    |
| Net cash provided by investing activities  | 4,669,620            | 863,208              |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 7,847,574            | 1,726,437            |
| <b>Cash and Cash Equivalents - Beginning of year</b>   | 10,391,410           | 8,664,973            |
| <b>Cash and Cash Equivalents - End of year</b>   | <b>\$ 18,238,984</b> | <b>\$ 10,391,410</b> |
| <b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>                         |                      |                      |
| Operating loss   | \$ (2,184,161)       | \$ (12,763,637)      |
| Adjustments to reconcile operating loss to net cash provided by operating activities:                        |                      |                      |
| Depreciation   | 34,513               | 40,196               |
| Other income from nonoperating activities  | -                    | 775                  |
| Changes in assets and liabilities:   |                      |                      |
| Member deductibles receivable  | 107,572              | (137,885)            |
| Other receivables  | (8,497)              | 159,595              |
| Prepaid expenses   | (64,243)             | (314,049)            |
| Accounts payable   | 15,406               | (95,218)             |
| Unearned member contributions  | 2,420,469            | 4,262,005            |
| Reserves for unpaid loss and loss adjustment expenses  | 2,906,995            | 9,702,005            |
| Net cash provided by operating activities  | <b>\$ 3,228,054</b>  | <b>\$ 853,787</b>    |
| <b>Significant Noncash Transactions - Noncash investing activities - Net unrealized gains on investments</b> | \$ 2,143,592         | \$ 930,384           |

There were noncash transactions related to distributions to members totaling \$2,511,028 and \$2,495,602 during the years ended April 30, 2020 and 2019, respectively. These amounts, representing a reduction of the premiums, not a cash payment, were also included within member contributions on the statement of revenue, expenses, and changes in net position.

**Note 1 - Nature of Business**

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 for CCAO members. As of April 30, 2020, 66 Ohio counties and 39 county-related entities were members of CORSA. In addition, CCAO and its affiliated entities were members of CORSA during the 2019-2020 fiscal year.

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, whose members 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 claims. Coverage provided to members 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, cyber, 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.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

CORSA follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements are presented using the accrual method of accounting.

CORSA distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with CORSA's principal ongoing operations. The principal operating revenue relates to member contributions. Operating expenses include the provision for claims, cost of services, administrative expenses, and member distributions. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

***Cash and Cash Equivalents***

CORSA considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds in interest-bearing checking accounts, insured sweep accounts, and short-term money market securities.

***Investments***

Investments consist of bonds, mutual funds, and equities that are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

CORSA's investments in County Reinsurance, Ltd. (CRL); County Reinsurance, Ltd. Property Plus (CRL PP); and County Governance Facility, LLC (LLC) are accounted for under the equity method. Accordingly, the investments in CRL, CRL PP, and LLC are carried at cost, adjusted for CORSA's proportionate share of earnings or losses.

***Member Contributions and Unearned Member Contributions***

Member contributions are recognized as income ratably over the coverage period. Receivables are recorded when earned. Management has determined amounts are collectible, and no allowance for doubtful accounts is required. Member contributions collected in advance of applicable coverage periods are classified as unearned member contributions.

April 30, 2020 and 2019

**Note 2 - Significant Accounting Policies (Continued)**

***Deductible Receivable***

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

***Reserve for Unpaid Loss and Loss Adjustment Expenses***

CORSA's reserve for unpaid loss and loss adjustment expenses is determined using an actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents an estimate of the ultimate net cost of all losses incurred that were unpaid at April 30, 2020 and 2019. This includes an estimate of losses incurred but not yet reported as of April 30, 2020 and 2019.

Although CORSA considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary, and ultimate losses may differ significantly from amounts projected. The effects of changes in reserve estimates are included in the statement of revenue, expenses, and changes in net position in the period in which estimates are changed. Reserves are not discounted.

***Capital Assets***

CORSA's capital assets are reported at cost net of accumulated depreciation. All capital assets are depreciated using the straight-line method of depreciation. All major classes of depreciable assets have a useful life of five years, except certain computer equipment, which has a useful life of three years. Costs of maintenance and repairs are charged to expense when incurred.

***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.

***Net Position***

Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, net investment in capital assets, or restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments.

As of April 30, 2020 and 2019, CORSA does not have any restricted net position. CORSA's board of directors may authorize the distribution of the net position to those members that constituted the self-insurance pool during the years when such net position was earned, provided that such members were also members of CORSA in the year in which said distribution is made.

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

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist relating to the reserve for unpaid loss and loss adjustment expenses, as described in Note 4.

**Note 2 - Significant Accounting Policies (Continued)**

***Tax Status***

CORSA's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision for income taxes is reflected in the financial statements.

***Contribution Deficiency***

Anticipated investment income is considered in determining if a premium deficiency exists. No premium deficiency reserve was required at April 30, 2020 or 2019.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including August 5, 2020, which is the date the financial statements were available to be issued.

**Note 3 - Deposits and Investments**

CORSA's investment policy authorizes CORSA to make investments in the following allowable assets: cash equivalents (U.S. Treasury bills, money market funds, commercial paper, bankers' acceptances, repurchase agreements, and certificates of deposit); fixed-income securities of all investment grade quality (including U.S. government and agency securities, asset-backed securities, investment grade corporate notes and bonds, mortgage-backed bonds, and preferred stock); real estate investments, which include ownership in office property or in companies whose sole asset is office property; risk assets; domestic common stocks; convertible notes and bonds; convertible preferred stocks; American Depository Receipts (ADRs) of non-U.S. companies; U.S. high-yield bonds; international emerging market equities; international equities; municipal bonds; and mutual funds and exchange-traded funds.

CORSA's investments are held in CORSA's name. CORSA has designated Huntington Bank, Wells Fargo, and Vanguard for deposit of its funds. Asset Allocation and Management Company, LLC acts as the fixed-income portfolio manager.

CORSA's cash and investments are subject to several types of risk, which are examined in more detail below:

***Deposits***

Cash and cash equivalents include operating and claims checking accounts, insured sweep accounts, and money market funds. Cash and cash equivalents totaled \$18,238,984 and \$10,391,410 at April 30, 2020 and 2019, respectively.

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, CORSA's deposits may not be returned to it. CORSA does not have a deposit policy for custodial credit risk. At year end, CORSA had \$18,514,544 of bank deposits. Of this amount, \$15,595,400 was insured by the Federal Deposit Insurance Corporation (FDIC). CORSA believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, CORSA evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

April 30, 2020 and 2019

**Note 3 - Deposits and Investments (Continued)**

**Investments**

Investments are reported at fair value. At April 30, 2020 and 2019, CORSA had the following investments:

|                         | Fair Value            |                       |
|-------------------------|-----------------------|-----------------------|
|                         | 2020                  | 2019                  |
| Fixed-income securities | \$ 88,627,640         | \$ 89,275,637         |
| Mutual funds            | 7,621,465             | 8,334,601             |
| Equities                | 15,641,656            | 17,497,520            |
| Total investments       | <u>\$ 111,890,761</u> | <u>\$ 115,107,758</u> |

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Interest rate risk is primarily managed by establishing guidelines for portfolio duration and average maturity. CORSA's investment policy stipulates that the total weighted-average portfolio maturity for all fixed-income securities may not exceed 15 years.

At April 30, 2020 and 2019, CORSA had the following average maturities of fixed-income securities and mutual funds:

| Investment  | 2020                 |                                   | 2019                 |                                   |
|---|----------------------|-----------------------------------|----------------------|-----------------------------------|
|   | Fair Value           | Weighted-average Maturity (Years) | Fair Value           | Weighted-average Maturity (Years) |
| U.S. Treasury securities                                  | \$ 7,327,008         | 13.67                             | \$ 6,611,750         | 14.78                             |
| Asset-backed securities                                   | 4,480,233            | 1.71                              | 9,903,244            | 1.61                              |
| Corporate bonds   | 36,782,946           | 10.49                             | 31,266,321           | 9.02                              |
| Municipal bonds   | 8,668,186            | 12.30                             | 7,771,242            | 12.76                             |
| Mortgage-backed/Collateralized mortgage-backed securities | 31,369,267           | 4.28                              | 33,723,080           | 5.82                              |
| Mutual funds - Bank loans                                 | 3,629,496            | 5.00                              | 4,089,785            | 5.15                              |
| Mutual funds - High-yield bonds                           | 3,991,969            | 5.53                              | 4,244,816            | 5.70                              |
| Total   | <u>\$ 96,249,105</u> |                                   | <u>\$ 97,610,238</u> |                                   |

April 30, 2020 and 2019

**Note 3 - Deposits and Investments (Continued)**

**Credit Risk**

Credit risk is the risk that the issuer of an investment will not fulfill its obligations.

At April 30, 2020 and 2019, the credit quality ratings of fixed-income securities by type are as follows:

| Investment  | 2020                        |        |                     | 2019                        |           |                     |
|---|-----------------------------|--------|---------------------|-----------------------------|-----------|---------------------|
|   | Fair Value                  | Rating | Rating Organization | Fair Value                  | Rating    | Rating Organization |
| U.S. Treasury securities                                  | <u>\$ 7,327,008</u>         | Aaa    | Moody's             | <u>\$ 6,611,750</u>         | Aaa       | Moody's             |
| Asset-backed securities                                   | 4,133,086                   | Aaa    | Moody's             | 6,215,077                   | Aaa       | Moody's             |
|   | 347,147                     | AAA    | S&P                 | 151,027                     | A2        | Moody's             |
|   | -                           |        |                     | 3,222,386                   | AAA       | S&P                 |
|   | -                           |        |                     | 314,754                     | A         | S&P                 |
| <b>Total</b>  | <u><b>\$ 4,480,233</b></u>  |        |                     | <u><b>\$ 9,903,244</b></u>  |           |                     |
| Corporate bonds   | 576,678                     | Aaa    | Moody's             | 504,753                     | Aaa       | Moody's             |
|   | 722,358                     | Aa1    | Moody's             | 1,262,285                   | Aa2       | Moody's             |
|   | 730,107                     | Aa2    | Moody's             | 1,521,339                   | Aa3       | Moody's             |
|   | 1,619,318                   | Aa3    | Moody's             | 252,375                     | Ba2       | Moody's             |
|   | 127,851                     | Ba1    | Moody's             | 7,985,363                   | Baa1      | Moody's             |
|   | 261,000                     | Ba2    | Moody's             | 6,516,125                   | Baa2      | Moody's             |
|   | 8,765,160                   | Baa1   | Moody's             | 2,508,018                   | Baa3      | Moody's             |
|   | 8,239,147                   | Baa2   | Moody's             | 2,229,401                   | A1        | Moody's             |
|   | 3,462,766                   | Baa3   | Moody's             | 3,306,422                   | A2        | Moody's             |
|   | 2,194,285                   | A1     | Moody's             | 5,009,390                   | A3        | Moody's             |
|   | 5,535,006                   | A2     | Moody's             | 170,850                     | Not Rated |                     |
|   | 3,963,733                   | A3     | Moody's             | -                           |           |                     |
|   | 49,547                      | BBB    | S&P                 | -                           |           |                     |
|   | 186,467                     | BBB    | Fitch               | -                           |           |                     |
|   | 349,523                     | BBB    | Kroll               | -                           |           |                     |
| <b>Total</b>  | <u><b>\$ 36,782,946</b></u> |        |                     | <u><b>\$ 31,266,321</b></u> |           |                     |
| Municipal bonds   | 2,309,636                   | Aaa    | Moody's             | 1,061,076                   | Aaa       | Moody's             |
|   | 4,007,106                   | Aa1    | Moody's             | 4,123,118                   | Aa1       | Moody's             |
|   | 1,771,014                   | Aa2    | Moody's             | 2,052,806                   | Aa2       | Moody's             |
|   | 395,541                     | Aa3    | Moody's             | 359,754                     | Aa3       | Moody's             |
|   | 184,889                     | AAA    | S&P                 | 174,488                     | AAA       | S&P                 |
| <b>Total</b>  | <u><b>\$ 8,668,186</b></u>  |        |                     | <u><b>\$ 7,771,242</b></u>  |           |                     |
| Mutual funds - Bank loans                                 | <u>3,629,496</u>            | B      | S&P                 | <u>4,089,785</u>            | B         | S&P                 |
| Mutual funds - High-yield bonds                           | <u>3,991,969</u>            | B      | Moody's             | <u>4,244,816</u>            | B         | Moody's             |
| Mortgage-backed/Collateralized mortgage-backed securities | 24,279,637                  | Aaa    | Moody's             | 25,432,240                  | Aaa       | Moody's             |
|   | 5,210,079                   | AAA    | S&P                 | 5,766,558                   | AAA       | S&P                 |
|   | 1,879,551                   | AAA    | Fitch               | 2,524,282                   | AAA       | Fitch               |
| <b>Total</b>  | <u><b>\$ 31,369,267</b></u> |        |                     | <u><b>\$ 33,723,080</b></u> |           |                     |

**Concentration of Credit Risk**

Excluding investments issued or guaranteed by the U.S. government, there were no investments that individually exceeded 5 percent of CORSA's total investments at April 30, 2020 and 2019.

**Note 3 - Deposits and Investments (Continued)**

**Foreign Currency Risk**

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. CORSA's investment policy does not address foreign currency risk. CORSA has no investments subject to foreign currency risk.

**Note 4 - Reserve for Unpaid Loss and Loss Adjustment Expenses**

The reserve for unpaid loss and loss adjustment expenses is estimated by an independent actuary based upon CORSA's historical experience of losses incurred prior to April 30, 2020. The estimates reflect the best judgment as to the potential for losses to increase beyond the amounts already paid. Although management believes that the reserve for unpaid loss and loss adjustment expenses is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

The following table represents changes in the reserve for unpaid loss and loss adjustment expense for CORSA for the years ended April 30, 2020, 2019, and 2018:

|   | 2020                 | 2019                 | 2018                 |
|---|----------------------|----------------------|----------------------|
| Reserve for unpaid loss and loss adjustment expenses - Beginning of year          | \$ 30,822,005        | \$ 21,120,000        | \$ 20,130,002        |
| Incurring loss and loss adjustment expenses:                                      |                      |                      |                      |
| Provisions for loss and loss adjustment expenses incurred in current year         | 14,340,000           | 23,101,000           | 12,437,000           |
| Change in provision for loss and loss adjustment expenses incurred in prior years | <u>(2,285,370)</u>   | <u>(2,156,230)</u>   | <u>(2,924,678)</u>   |
| Total incurred loss and loss adjustment expenses                                  | 12,054,630           | 20,944,770           | 9,512,322            |
| Payments:   |                      |                      |                      |
| Loss and loss adjustment expenses paid for losses incurred in current year        | 2,982,990            | 3,308,900            | 3,088,350            |
| Loss and loss adjustment expenses paid for losses incurred in prior years         | <u>6,164,645</u>     | <u>7,933,865</u>     | <u>5,433,974</u>     |
| Total payments  | <u>9,147,635</u>     | <u>11,242,765</u>    | <u>8,522,324</u>     |
| Reserve for unpaid loss and loss adjustment expenses - End of year                | <u>\$ 33,729,000</u> | <u>\$ 30,822,005</u> | <u>\$ 21,120,000</u> |

Reserve for unpaid loss and loss adjustment expenses attributable to insured events in prior years changed as a result of reestimation of unpaid loss and loss adjustment expense. This change is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

During the 2018-2019 fiscal year, there was a change in coverage from claims-made to occurrence policies, which resulted in an increase in the ending liability for reserves for unpaid loss and loss adjustment expenses of approximately \$7,848,000 for claims that were incurred prior to 2018-2019 but not yet reported.

**Note 5 - Excess Insurance Coverage**

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 was \$1,500,000 per occurrence for property coverage and \$1,000,000 for liability coverage for the fiscal year ended April 30, 2020. CORSA's retention limit was \$1,000,000 per occurrence for all coverages for the fiscal year ended April 30, 2019.

The exceptions to retention limits for both fiscal years were \$250,000 for cyber liability, \$50,000 for equipment breakdown/boiler claims, and \$2,000,000 for the general liability and medical professional liability for county homes. During the fiscal years ended April 30, 2020 and 2019, CORSA provided county home liability coverage with a retention limit of \$1,000,000.

CORSA maintains reinsurance contracts with insurance carriers that 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 \$10,000,000 over CORSA's retention. There was an exception for the general liability and medical professional liability for county homes, for which there was a \$2,000,000 excess limit over the \$1,000,000 CORSA retention for the fiscal years ended April 30, 2020 and 2019. As of April 30, 2020 and 2019, CORSA provided liability coverage for 18 and 19 county homes, respectively.

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 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 would be responsible for such defaulted amounts.

Premiums ceded to reinsurers were \$3,721,004 and \$4,755,395 for fiscal years 2020 and 2019, respectively. The amount deducted from the reserves for unpaid losses and loss adjustment expenses for estimated amounts recoverable under reinsurance was \$4,016,100 and \$199,000 for fiscal years 2020 and 2019, respectively. The adjustment to claim expenses for estimated amounts recoverable under reinsurance was \$3,630,422 and \$(42,012) for fiscal years 2020 and 2019, respectively.

**Note 6 - Capital Assets**

Capital asset activity for the years ended April 30, 2020 and 2019 was as follows:

|                                   | Balance<br>May 1, 2019 | Additions | Disposals   | Balance<br>April 30, 2020 |
|-----------------------------------|------------------------|-----------|-------------|---------------------------|
| Capital assets being depreciated: |                        |           |             |                           |
| Vehicles                          | \$ 197,746             | \$ 65,100 | \$ (66,027) | \$ 196,819                |
| Furniture and fixtures            | 62,103                 | -         | -           | 62,103                    |
| Computer and equipment            | 11,255                 | -         | -           | 11,255                    |
| Claims system                     | 80,838                 | -         | (80,838)    | -                         |
| Subtotal                          | 351,942                | 65,100    | (146,865)   | 270,177                   |
| Accumulated depreciation:         |                        |           |             |                           |
| Vehicles                          | 112,577                | 33,716    | (62,086)    | 84,207                    |
| Furniture and fixtures            | 62,103                 | -         | -           | 62,103                    |
| Computer equipment                | 10,457                 | 797       | -           | 11,254                    |
| Claims system                     | 80,838                 | -         | (80,838)    | -                         |
| Subtotal                          | 265,975                | 34,513    | (142,924)   | 157,564                   |
| Net capital assets                | \$ 85,967              | \$ 30,587 | \$ (3,941)  | \$ 112,613                |

April 30, 2020 and 2019

**Note 6 - Capital Assets (Continued)**

|                                   | Balance<br>May 1, 2018 | Additions   | Disposals   | Balance<br>April 30, 2019 |
|-----------------------------------|------------------------|-------------|-------------|---------------------------|
| Capital assets being depreciated: |                        |             |             |                           |
| Vehicles                          | \$ 226,587             | \$ -        | \$ (28,841) | \$ 197,746                |
| Furniture and fixtures            | 62,103                 | -           | -           | 62,103                    |
| Computer and equipment            | 11,255                 | -           | -           | 11,255                    |
| Claims system                     | 80,838                 | -           | -           | 80,838                    |
| Subtotal                          | 380,783                | -           | (28,841)    | 351,942                   |
| Accumulated depreciation:         |                        |             |             |                           |
| Vehicles                          | 101,685                | 39,175      | (28,283)    | 112,577                   |
| Furniture and fixtures            | 62,103                 | -           | -           | 62,103                    |
| Computer and equipment            | 9,436                  | 1,021       | -           | 10,457                    |
| Claims system                     | 80,838                 | -           | -           | 80,838                    |
| Subtotal                          | 254,062                | 40,196      | (28,283)    | 265,975                   |
| Net capital assets                | \$ 126,721             | \$ (40,196) | \$ (558)    | \$ 85,967                 |

Total depreciation expense was \$34,513 and \$40,196 at April 30, 2020 and 2019, respectively.

**Note 7 - Related Party Transactions**

CORSA and its health insurance counterpart, County Employee Benefits Consortium of Ohio (CEBCO), were created by CCAO to provide insurance for county employees. The three entities share office space, services, and operating expenses, which include salaries, telephone service, internet service, supplies, postage, and subscriptions. All employees of CORSA are employed by CCAO. Shared services are purchased by the various entities, and costs are shared and include liability coverage provided by CORSA, health care coverage provided by CEBCO, and additional external directors and officers coverage purchased by CORSA. CCAO pays for most of the other shared expenses, and CORSA and CEBCO pay CCAO for their portion based on an allocation approved by all three boards of directors. Investment consulting and management services are shared between CORSA and CEBCO. The amount paid for shared services by CORSA to CCAO was \$2,150,598 and \$2,135,522 for the years ended April 30, 2020 and 2019, respectively. CORSA's accrued expenses owed to CCAO as of April 30, 2020 and 2019 were \$45,182 and \$41,350, respectively.

**Note 8 - Investment in County Governance Facility, LLC**

In May 2008, CORSA entered into a joint venture with CCAO and CEBCO to form LLC. 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 percent portion of the joint venture. CORSA accounts for the investment under the equity method. CORSA's portion of the loss was \$17,788 and \$981 for the years ended April 30, 2020 and 2019, respectively.

**Note 9 - Investment in County Reinsurance, Ltd. and County Reinsurance, Ltd. Property Plus**

As of April 30, 2020 and 2019, CORSA has a 5 percent interest in CRL. CRL is a member-owned reinsurance company, which provides reinsurance coverage for property, liability, and workers' compensation insurance. CORSA accounts for the investment under the equity method. CORSA recognized income of \$958,122 and \$289,975 during the years ended April 30, 2020 and 2019, respectively, from its interest in CRL.

April 30, 2020 and 2019

**Note 9 - Investment in County Reinsurance, Ltd. and County Reinsurance, Ltd. Property Plus (Continued)**

During the fiscal year ended April 30, 2020, CORSA made an initial capital contribution in the amount of \$5,000,000 into CRL PP, which represents a 16 percent interest. The program is a separate account under Vermont state statutes, with CRL as the general account. The program was created to allow CRL member pools to participate in certain excess property layers through a participation agreement. CORSA accounts for the investment under the equity method. CORSA recognized income of \$132,399 during the year ended April 30, 2020 from its interest in CRL PP.

**Note 10 - Retirement Benefits**

CCAO maintains a defined contribution plan covering employees who meet certain age requirements. 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 reimburses CCAO for its portion of the contribution. The amount contributed by CORSA is approved by CORSA's board. CORSA has no further retirement benefit obligation. Expense of \$121,361 and \$114,811 was incurred by CORSA for the fiscal years ended April 30, 2020 and 2019, respectively.

CCAO also provides postemployment medical and life insurance benefits to retirees with qualifying service credit and to surviving spouses of such retirees. These benefits are funded by yearly contributions from CCAO, as determined by CCAO's board. CORSA then reimburses CCAO for its portion of the contribution. The amount contributed by CORSA is approved by CORSA's board. CORSA has no further postemployment insurance benefit obligation. Expense of \$6,129 was incurred by CORSA for the fiscal years ended April 30, 2020 and 2019.

**Note 11 - Fair Value Measurements**

CORSA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below,

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. CORSA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

April 30, 2020 and 2019

**Note 11 - Fair Value Measurements (Continued)**

CORSA has the following recurring fair value measurements as of April 30, 2020:

|  | Assets Measured at Fair Value on a Recurring Basis at<br>April 30, 2020 |  |  |                              |
|--|---|--|--|------------------------------|
|  | Quoted Prices in  |  |  | Balance at April<br>30, 2020 |
|  | Active Markets<br>for Identical<br>Assets<br>(Level 1)                  | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                              |
| Debt securities:   |   |  |  |                              |
| Mutual funds - High-yield bonds                              | \$ 3,991,969  | \$ -   | \$ -   | \$ 3,991,969                 |
| Mutual funds - Bank loans                                    | 3,629,496   | -  | -  | 3,629,496                    |
| Asset-backed securities                                      | -   | 4,480,233  | -  | 4,480,233                    |
| Corporate bonds  | -   | 36,782,946   | -  | 36,782,946                   |
| U.S. Treasury securities                                     | 7,327,008   | -  | -  | 7,327,008                    |
| Mortgage-backed/Collateralized<br>mortgage-backed securities | -   | 31,369,267   | -  | 31,369,267                   |
| Municipal bonds  | -   | 8,668,186  | -  | 8,668,186                    |
| Total debt securities  | 14,948,473  | 81,300,632   | -  | 96,249,105                   |
| Equity securities - Mutual funds                             | 15,641,656  | -  | -  | 15,641,656                   |
| Total assets   | <u>\$ 30,590,129</u>  | <u>\$ 81,300,632</u>                                   | <u>\$ -</u>  | <u>\$ 111,890,761</u>        |

CORSA has the following recurring fair value measurements as of April 30, 2019:

|  | Assets Measured at Fair Value on a Recurring Basis at<br>April 30, 2019 |  |  |                              |
|--|---|--|--|------------------------------|
|  | Quoted Prices in  |  |  | Balance at April<br>30, 2019 |
|  | Active Markets<br>for Identical<br>Assets<br>(Level 1)                  | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                              |
| Debt securities:   |   |  |  |                              |
| Mutual funds - High-yield bonds                              | \$ 4,244,816  | \$ -   | \$ -   | \$ 4,244,816                 |
| Mutual funds - Bank loans                                    | 4,089,785   | -  | -  | 4,089,785                    |
| Asset-backed securities                                      | -   | 9,903,244  | -  | 9,903,244                    |
| Corporate bonds  | -   | 31,266,321   | -  | 31,266,321                   |
| U.S. Treasury securities                                     | 6,611,750   | -  | -  | 6,611,750                    |
| Mortgage-backed/Collateralized<br>mortgage-backed securities | -   | 33,723,080   | -  | 33,723,080                   |
| Municipal bonds  | -   | 7,771,242  | -  | 7,771,242                    |
| Total debt securities  | 14,946,351  | 82,663,887   | -  | 97,610,238                   |
| Equity securities - Mutual funds                             | 17,497,520  | -  | -  | 17,497,520                   |
| Total assets   | <u>\$ 32,443,871</u>  | <u>\$ 82,663,887</u>                                   | <u>\$ -</u>  | <u>\$ 115,107,758</u>        |

The following summarizes the valuation method used in determining fair value measurements:

**Level 1 Measurements**

The fair value of U.S. Treasury securities and mutual funds is determined using prices quoted in active markets for those securities.

**April 30, 2020 and 2019**

**Note 11 - Fair Value Measurements (Continued)**

***Level 2 Measurements***

The fair value of asset-backed securities, corporate bonds, mortgage-backed/collateralized mortgage-backed securities, and municipal bonds is determined by using other observable inputs, such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals.

**This page intentionally left blank.**

---

## Required Supplemental Information

---

**This page intentionally left blank.**

**April 30, 2020**

**Claims Development Information**

The table on the following page illustrates how CORSA's earned revenue (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by CORSA as of the end of each of the last 10 years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of CORSA, including overhead and claims expense not allocable to individual claims.
3. This line shows CORSA's gross incurred losses and allocated loss adjustment expenses, losses assumed by excess insurers, and net incurred losses and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of losses assumed by excess insurers as of the end of the current year for each accident year.
6. This section of 10 rows shows how each policy year's net incurred losses increased or decreased as of the end of successive years. This annual reestimation results from new information received on known losses, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

# County Risk Sharing Authority, Inc.

## Required Supplemental Information Schedule of Claims Development (Continued)

April 30, 2020

| Policy Year Ended December 31   | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1. Required contributions and investment income:  |               |               |               |               |               |               |               |               |               |               |
| Earned  | \$ 29,595,864 | \$ 31,067,691 | \$ 28,706,132 | \$ 25,473,935 | \$ 30,123,230 | \$ 23,038,974 | \$ 25,880,761 | \$ 23,735,463 | \$ 29,382,161 | \$ 29,750,899 |
| Ceded   | 3,434,533     | 3,212,141     | 3,357,681     | 3,591,025     | 3,744,889     | 3,429,558     | 3,486,760     | 3,466,181     | 4,755,395     | 3,721,004     |
| Net   | 26,161,331    | 27,855,550    | 25,348,451    | 21,882,910    | 26,378,341    | 19,609,416    | 22,394,001    | 20,269,282    | 24,626,766    | 26,029,895    |
| 2. Expenses other than allocated loss adjustment expenses   | 6,281,102     | 6,702,290     | 6,452,368     | 6,271,046     | 6,591,886     | 7,235,090     | 7,696,874     | 8,380,347     | 9,223,827     | 8,596,697     |
| 3. Estimated loss and allocated loss adjustment expenses - End of policy year:  |               |               |               |               |               |               |               |               |               |               |
| Incurred  | 13,217,939    | 12,480,233    | 16,258,444    | 15,119,798    | 14,236,116    | 10,820,000    | 12,155,000    | 12,630,000    | 23,300,000    | 14,744,000    |
| Ceded   | -             | -             | 1,171,564     | 140,934       | 988,116       | -             | -             | 193,000       | 199,000       | 404,000       |
| Net   | 13,217,939    | 12,480,233    | 15,086,880    | 14,978,864    | 13,248,000    | 10,820,000    | 12,155,000    | 12,437,000    | 23,101,000    | 14,340,000    |
| 4. Cumulative paid loss and allocated loss adjustment expenses:   |               |               |               |               |               |               |               |               |               |               |
| End of policy year  | 3,002,120     | 3,035,505     | 5,057,937     | 4,151,661     | 3,072,620     | 1,917,283     | 3,626,620     | 3,088,350     | 3,308,900     | 2,982,990     |
| One year later  | 7,271,874     | 6,865,094     | 7,108,802     | 8,992,245     | 6,142,444     | 4,162,577     | 5,458,889     | 6,715,806     | 6,754,287     | -             |
| Two years later   | 9,045,134     | 8,898,813     | 6,725,846     | 9,990,214     | 7,808,785     | 5,131,307     | 6,616,293     | 7,931,017     | -             | -             |
| Three years later   | 9,482,010     | 9,406,288     | 7,362,332     | 10,787,870    | 8,201,451     | 7,255,670     | 7,173,341     | -             | -             | -             |
| Four years later  | 11,320,376    | 9,590,511     | 7,612,758     | 11,273,574    | 8,571,900     | 7,828,003     | -             | -             | -             | -             |
| Five years later  | 11,425,212    | 9,757,726     | 8,089,947     | 11,371,197    | 8,886,044     | -             | -             | -             | -             | -             |
| Six years later   | 11,497,489    | 10,081,127    | 8,340,966     | 11,386,465    | -             | -             | -             | -             | -             | -             |
| Seven years later   | 12,066,241    | 10,092,792    | 8,356,733     | -             | -             | -             | -             | -             | -             | -             |
| Eight years later   | 12,077,464    | 10,262,362    | -             | -             | -             | -             | -             | -             | -             | -             |
| Nine years later  | 12,077,464    | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| 5. Reestimated ceded loss and expenses  | 120,051       | -             | 5,451,176     | 348,945       | 1,018,235     | -             | -             | 1,183         | 3,683,000     | 404,000       |
| 6. Reestimated incurred loss and allocated loss adjustment expenses:  |               |               |               |               |               |               |               |               |               |               |
| End of policy year  | 13,217,939    | 12,480,233    | 15,086,880    | 14,978,958    | 13,248,000    | 10,820,000    | 12,155,000    | 12,437,000    | 23,101,000    | 14,340,000    |
| One year later  | 13,133,778    | 12,624,085    | 12,832,585    | 13,054,000    | 11,149,000    | 8,100,000     | 10,055,000    | 11,611,000    | 20,868,000    | -             |
| Two years later   | 11,548,166    | 11,044,666    | 8,808,000     | 14,398,000    | 9,656,000     | 8,727,000     | 8,383,000     | 10,895,000    | -             | -             |
| Three years later   | 11,632,157    | 10,354,000    | 8,260,000     | 13,658,000    | 9,419,000     | 9,124,000     | 8,497,000     | -             | -             | -             |
| Four years later  | 12,470,000    | 10,095,000    | 8,307,000     | 12,984,000    | 9,300,000     | 9,823,000     | -             | -             | -             | -             |
| Five years later  | 12,569,000    | 10,307,000    | 8,194,000     | 12,203,000    | 9,225,000     | -             | -             | -             | -             | -             |
| Six years later   | 12,368,000    | 10,111,000    | 8,494,000     | 12,161,000    | -             | -             | -             | -             | -             | -             |
| Seven years later   | 12,073,000    | 10,153,000    | 8,488,000     | -             | -             | -             | -             | -             | -             | -             |
| Eight years later   | 12,077,464    | 10,262,362    | -             | -             | -             | -             | -             | -             | -             | -             |
| Nine years later  | 12,077,464    | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| 7. Decrease in estimated incurred losses and allocated loss adjustment expenses subsequent to initial policy year end | (1,140,475)   | (2,217,871)   | (6,598,880)   | (2,817,958)   | (4,023,000)   | (997,000)     | (3,658,000)   | (1,542,000)   | (2,233,000)   | -             |

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*

**Independent Auditor's Report**

To Management and the Board of Directors  
County Risk Sharing Authority, Inc.

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 basic financial statements of County Risk Sharing Authority, Inc. (CORSA), which comprise the basic statement of net position as of April 30, 2020 and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated August 5, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered CORSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of CORSA's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of CORSA's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CORSA's basic financial statements are free from 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*.

To Management and the Board of Directors  
County Risk Sharing Authority, Inc.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CORSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CORSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

August 5, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**COUNTY RISK SHARING AUTHORITY**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/13/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)