

Ohio Transit Risk Pool

SUMMIT COUNTY, OHIO

AUDIT REPORT

**For the Year Ended November 30, 2007
(With Comparative Totals for November 30, 2006)**



Mary Taylor, CPA
Auditor of State

Members of Council
Ohio Transit Risk Pool
34 Merz Blvd., Suite D
Fairlawn, Ohio 44333

We have reviewed the Report of Independent Accountants of the Ohio Transit Risk Pool, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2006 through November 30, 2007. 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 Ohio Transit Risk Pool is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 16, 2008

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OHIO TRANSIT RISK POOL
SUMMIT COUNTY, OHIO
Audit Report
For the Year Ended November 30, 2007

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Ohio Transit Risk Pool
Summit County
34 Merz Blvd., Suite D
Fairlawn, OH 44333

To the Board of Trustees:

We have audited the financial statements of the Ohio Transit Risk Pool (OTRP), Summit County as of and for the year ended November 30, 2007, as listed in the table of contents. These financial statements are the responsibility of OTRP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of OTRP as of November 30, 2006 were audited by other auditors whose report dated May 2, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Transit Risk Pool, Summit County, as of November 30, 2007, and the results of its operations and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2008, on our consideration of the OTRP internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and required supplementary information are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates, Inc.

June 12, 2008

OHIO TRANSIT RISK POOL
NOVEMBER 30, 2007
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

The management of the Ohio Transit Risk Pool (OTRP) offers this narrative overview and analysis of the financial activities of OTRP for the fiscal year ended November 30, 2007. Readers are encouraged to consider the information presented here in conjunction with OTRP's financial statements and notes to the financial statements to enhance their understanding of OTRP's financial performance.

Financial Highlights

During 2007, OTRP's financial activities were highlighted by the following significant events:

- OTRP expanded its joint venture with the Michigan Transit Pool by sourcing its property coverage for the first time through Transit Reinsurance, Ltd., a Vermont captive, created and owned by MTP and OTRP for the purpose of providing property reinsurance support to the captive's member pools as an alternative to the commercial market. This effort included the adoption of a manuscripted memorandum of coverage setting forth the terms and conditions of property reinsurance coverages offered to the members of Transit Reinsurance, Ltd.
- The OTRP Board approved a formal Corporate Investment Plan balancing the need for liquidity, diversification, yield and safety in OTRP's investment portfolio. The Investment Plan will be used as the basis for evaluating all future performance of OTRP's investment portfolios.
- Further reduced the number of open claims and lawsuits through pro-active claims adjustment efforts and aggressive implementation of loss control strategies contained in OTRP's Safety Performance Audit (SPA) program. These efforts were further bolstered by "the run-off" of claims and lawsuits emanating from former OTRP members GDRTA and RCTB.
- Comprehensively reviewed and successfully amended the OTRP bylaws to provide for more reasonable notice provisions in the event that a member wishes to withdraw from the pool and to simplify membership categories and voting rights. The bylaw amendments also permitted, for the first time, admission of Ohio political subdivisions' transit operations, without the necessity of being organized formally as a RTA or Transit Board.
- Amended OTRP's pool contribution formula to provide an additional "loss cap" (in a 3 year cycle) to add further stability to OTRP's premium allocation methodology.

OHIO TRANSIT RISK POOL
NOVEMBER 30, 2007
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OTRP's financial statements. OTRP's primary objective is to operate at a break-even level, while providing for the risk financing needs of its members. The financial statements are designed to provide a broad overview of OTRP's financial activities, in a manner similar to a private-sector business.

The basic financial statements, in addition to Management's Discussion and Analysis, are comprised of the Statements of Net Assets; the Statements of Changes in Net Assets; the Statements of Cash Flows; and the Notes to the Financial Statements. The financial statements are prepared in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

The Statements of Net Assets present OTRP's financial position at the end of the fiscal year just concluded as compared to the previous fiscal year. Beginning in 2004, OTRP elected to change from a calendar fiscal year to a fiscal year commencing on December 1st and concluding on November 30th. Information is displayed on assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in Net Assets may reflect OTRP's ability to meet the needs and expectations of its members in paying claims and in meeting other financial obligations.

The Statements of Changes in Net Assets present information detailing the revenues and expenses that resulted in the change in Net Assets that occurred during the most recently concluded fiscal year as compared to the previous fiscal year. All revenues and expenses are reported on an accrual basis. This means that all revenues are recognized when earned and all expenses are recognized when incurred, regardless of when the actual cash is received or paid.

The Statements of Cash Flows present cash provided and used by OTRP categorized by operating activities, investing activities and (when applicable) financing activities. It reconciles the beginning and year ended cash balances presented on the Statements of Net Assets. Again, the statements compare cash provided to and used by OTRP for the fiscal year just completed and compares them to the previous fiscal year.

The Notes to the Financial Statements provide additional information essential to a complete understanding of the organization and operations of OTRP, including data contained in the financial statements. Details are provided regarding OTRP's history, governance, and significant accounting policies relating to cash and investments, and commitments to related parties.

In addition to the financial statements and accompanying notes, supplementary information is presented in a separate section illustrating OTRP's reconciliation of claims liability by type of contract for the years ended November 30, 2007 and 2006, respectively. In addition, revenue and claims development information since inception is presented in accordance with GASB #10, as amended by GASB #30.

OHIO TRANSIT RISK POOL
 NOVEMBER 30, 2007
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 UNAUDITED

Financial Analysis -Statements of Net Assets

The following table presents the summarized financial position of OTRP for the fiscal years ended

	<u>2007</u>	<u>2006</u>
Assets:		
Current Assets	\$ 10,869,913	\$ 10,153,119
Fixed Assets, Net (As Restated)	<u>32,408</u>	<u>42,121</u>
<i>Total Assets</i>	<u><u>10,902,321</u></u>	<u><u>10,195,240</u></u>
Liabilities:		
Claims Reserve	4,175,868	5,646,000
Accounts Payable	91,452	4,629
Accrued Expenses	6,336	45,628
Members Payable	<u>883,564</u>	<u>951,924</u>
<i>Total Liabilities</i>	<u><u>5,157,220</u></u>	<u><u>6,648,181</u></u>
Net Assets:	<u><u>\$ 5,745,101</u></u>	<u><u>\$ 3,547,059</u></u>

Current assets increased by \$716,794 between 2007 and 2006 primarily reflecting the accumulation of new member contributions to fund claims for the 2007 loss year.

OTRP's fixed assets, net, decreased from 2006 by \$9,713, due to depreciation exceeding additions.

OTRP's total liabilities decreased by \$1.5 million from 2006 to 2007, decreasing from \$6.6 million to \$5.2 million. Almost the entire decrease was attributed to a \$1.5 million decrease in claims reserve. The claims reserve, which includes loss adjustment expenses ("LAE"), decreased from \$5.7 million in 2006 to \$4.2 million. This amount is determined based upon OTRP claim reserves and actuarial analysis. Between the time a claim is reported and the time it is closed, reserves are established by OTRP's claims staff for the estimated amount that will ultimately be paid at some future date to settle the loss. In addition, the actuary also includes calculated reserves for claims that have been incurred but have not yet been reported (IBNR) and reserves to cover the potential for adverse loss development. Therefore losses are recognized in the current year for some claims that will not be reported until some future date and claims that will develop adversely. The combination of accounts payable and accrued expenses increased slightly, from \$50,357 in 2006 to \$97,788 in 2007. These amounts are comprised of normal operating expenses, which deviate little month-to-month and year-to-year.

The difference between assets and liabilities, or "Net Assets," increased \$2.2 million from 2006 to 2007.

OHIO TRANSIT RISK POOL
 NOVEMBER 30, 2007
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 UNAUDITED

Financial Analysis -Statements of Changes in Net Assets

The following table presents the summarized results of operations for the years ended November 2007 and 2006. More detailed information is available in the accompanying basic financial statements.

	<u>2007</u>	<u>2006</u>	<u>(Decrease)</u>
Revenues:			
Member contributions	3,721,807	5,347,563	(1,625,756)
Reinsurance/excess insurance premiums	(1,480,522)	(1,875,321)	394,799
Member reimbursements	93,337	153,442	(60,105)
Interest income	452,885	306,737	146,148
Other income	31,342	20,000	11,342
Loss on disposal of computer equipment	-	(134)	134
<i>Total Revenues</i>	<u>2,818,849</u>	<u>3,952,287</u>	<u>(1,133,438)</u>
Expenses:			
Net incurred claims and allocated claim adjustment expenses (all years)	(244,361)	2,113,028	(2,357,389)
Reinsurance recovery	-	(30,190)	30,190
Member reduction special assessment	213,425	269,130	(55,705)
Professional fees and other	224,789	316,670	(91,881)
Salaries and employee benefits	426,954	441,849	(14,895)
<i>Total Expenses</i>	<u>620,807</u>	<u>3,110,487</u>	<u>(2,489,680)</u>

Total OTRP Revenues (net of reinsurance/excess insurance premiums) decreased from \$4.0 million in 2006 to \$2.8 million in 2007. This was primarily due to the fact that OTRP's membership contributions decreased from 5.3 million to 3.7 million, tied to the departure of GDRTA and RCTB on December 1, 2006.

Total OTRP expenses decreased from \$3.1 million in 2006 to \$.6 million in 2007, primarily due to a decrease of over \$2.3 million in incurred losses and claim adjustment expenses.

Request for Information

This financial report is designed to provide a general overview of OTRP's finances. Questions concerning any of the data contained herein or requests for additional financial information should be directed to John M. Nielsen, Chief Executive Officer, Ohio Transit Risk Pool, 34 Merz Boulevard, Suite D, Fairlawn, OH, 44333.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
STATEMENT OF NET ASSETS
NOVEMBER 30, 2007 AND 2006**

	2007	2006
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 4,434,137	\$ 3,863,259
Investments	6,126,056	5,774,156
Member Receivables	245,520	227,327
Member Receivables - Special Assessment	-	213,425
Accounts Receivable - Other	11,342	51,967
Prepaid Expenses	52,858	22,985
TOTAL CURRENT ASSETS	10,869,913	10,153,119
<u>FIXED ASSETS, NET</u>		
Automobile, computer equipment and software, net of accumulated depreciation	32,408	42,121
TOTAL ASSETS	\$ 10,902,321	\$ 10,195,240
<u>CURRENT LIABILITIES</u>		
Claims Reserve	\$ 4,175,868	\$ 5,646,000
Accounts Payable	91,452	4,629
Accrued Expenses	6,336	45,628
Members Payable	883,564	951,924
TOTAL CURRENT LIABILITIES	5,157,220	6,648,181
NET ASSETS - Unrestricted	5,745,101	3,547,059
TOTAL LIABILITIES AND NET ASSETS	\$ 10,902,321	\$ 10,195,240

The notes to the financial statements are an integral part of these statements.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>REVENUES:</u>		
Membership Contributions	\$ 3,721,807	\$ 5,347,563
Reinsurance/Excess Insurance Premiums	<u>(1,480,522)</u>	<u>(1,875,321)</u>
Net Member Contributions	2,241,285	3,472,242
<u>GENERAL REVENUES:</u>		
Member Reimbursements	93,337	153,442
Interest Income	452,885	338,379
Other Income	31,342	20,000
Loss on Disposal of Computer Equipment	<u>-</u>	<u>(134)</u>
TOTAL REVENUES	2,818,849	3,983,929
<u>EXPENSES:</u>		
Claim Expenses:		
Net incurred Claims and Allocated Claim Adjustment Expenses (All Years)	(244,361)	2,113,028
Reinsurance Recovery	<u>-</u>	<u>(30,190)</u>
Net Claim Expenses	<u>(244,361)</u>	<u>2,082,838</u>
Member Reduction Special Assessment	213,425	269,130
General and Administrative Expenses:		
Professional Fees and Other	224,789	316,670
Salaries and Employee Benefits	<u>426,954</u>	<u>441,849</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>651,743</u>	<u>758,519</u>
TOTAL EXPENSES	<u>620,807</u>	<u>3,110,487</u>
Changes in Net Assets	2,198,042	873,442
Net Assets (Deficit) Beginning of Year (As Restated, See Note 6)	<u>3,547,059</u>	<u>2,673,617</u>
Net Assets (Deficit) End of Year	<u>\$ 5,745,101</u>	<u>\$ 3,547,059</u>

The notes to the financial statements are an integral part of these statements.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2007 and 2006**

	2007	2006
Cash Flows from Operating Activities:		
Cash Received from Members	\$ 3,848,915	\$ 5,231,875
Cash Paid for Claims	(1,341,676)	(1,562,437)
Cash Paid for Reinsurance Premiums	(1,480,522)	(1,886,492)
Cash Paid for Administrative and General Expenses	(713,164)	(608,033)
	\$ 313,553	\$ 1,174,913
Net cash provided/(used) for operating activities	\$ 313,553	\$ 1,174,913
Cash Flows from Capital and Related Financing Activities:		
Purchases of Equipment	\$ (8,995)	\$ (694)
	\$ (8,995)	\$ (694)
Net cash provided/(used) for capital and related financing activities	\$ (8,995)	\$ (694)
Cash Flows Provided/(Used) Noncapital Financing Activities:		
Cash paid for Member Distributions	\$ -	\$ (519,005)
Other Income	20,000	20,000
	\$ 20,000	\$ (499,005)
Net cash provided/(used) for noncapital financing activities	\$ 20,000	\$ (499,005)
Cash Flows from Investing Activities:		
Investment Income Received	\$ 452,885	\$ 351,001
Purchased investments/sale of Investments, net	(206,565)	1,683,138
	\$ 246,320	\$ 2,034,139
Net cash provided/(used) for investing activities	\$ 246,320	\$ 2,034,139
Net increase in cash and cash equivalents	570,878	2,709,353
Cash and cash equivalents, December 1,	\$ 3,863,259	\$ 1,153,906
Cash and cash equivalents, November 30,	\$ 4,434,137	\$ 3,863,259
Reconciliation of Income (loss) to Net Cash Provided By (Used For) Operating Activities		
Changes in Net Assets	\$ 2,198,042	\$ 873,442
Adjustments:		
Depreciation expense	18,708	13,993
Investment Earnings and Unrealized (gains)/losses on investments	(452,885)	(351,001)
Proceeds of the sale/purchase of investments	(145,333)	(1,408,389)
Payments for Member Distributions	-	519,005
Other Income	(20,000)	(20,000)
Purchase of Equipment	8,995	694
(Increase)/Decrease in Assets:		
Members Receivable	(18,193)	680,204
Members Receivable - Special Assessment	213,425	324,835
Other Receivable	31,967	(51,967)
Prepaid Expenses	(29,873)	(167)
Increase/(decrease) in liabilities:		
Claims Reserve	(1,470,132)	91,741
Accounts Payable	86,484	(3,166)
Accrued Expenses	(39,292)	10,956
Members Payable	(68,360)	494,733
	(1,884,489)	301,471
Total Adjustments	(1,884,489)	301,471
Net cash provided/(used) for operating activities	\$ 313,553	1,174,913

The notes to the financial statements are an integral part of these statements.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2007**

NOTE 1 --ORGANIZATION AND OPERATIONS

The Ohio Transit Risk Pool (OTRP) was organized on December 31, 1994 as authorized by Section 2744.081 of the Ohio Revised Code. OTRP is an Ohio not for profit corporation organized for the public purpose of enabling its member transit authorities, boards, and systems to share loss exposures and financial resources by pooling risks and to obtain insurance or reinsurance coverage, provide methods for paying claims, and provide a formalized, jointly administrated self-insurance pool. In addition to the self-insurance pool, OTRP provides risk management programs and other administrative services. The members of OTRP as of November 30, 2007 include the following transit authorities, boards and systems in the State of Ohio: Allen County Regional Transit Authority, Laketrans, Metro Regional Transit Authority, Portage Area Regional Transportation Authority, Stark Area Regional Transit Authority, Western Reserve Transit Authority, Butler County Regional Transit Authority and South East Area Transit. Effective November 1, 2003 Delaware County Transit Board became a member. On April 4, 2002, Toledo Area Regional Transit Authority (TARTA) became an associate member of OTRP. Historically, TARTA self-insured the first \$500,000 of a liability loss. Beginning in 2003, TARTA also participated in a risk sharing layer \$500,000 excess of \$500,000 per occurrence with OTRP liability reinsurance coverage provided excess of \$1,000,000 per occurrence. TARTA has never participated in OTRP's commercial property or auto physical damage programs.

OTRP provides commercial property (including flood and earthquake coverage), auto physical damage, boiler and machinery, crime, auto liability, general liability, employee practices liability, employee benefits liability and public officials liability coverage to its members through self-retention and the group purchase of catastrophic coverage and bonds from qualified reinsurers or excess insurers.

OTRP is comprised exclusively of Ohio public transit authorities, boards and systems. Although its exposure is concentrated to a single geographical area, such exposure is reduced through the group purchase of reinsurance and/or excess insurance.

NOTE 2 --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. OTRP prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) and predecessor boards' pronouncements issued on or before November 30, 1989, and all FASB pronouncements issued after November 30, 1989, except those that conflict or contradict GASB pronouncements.

Estimates: The preparation of financial statements in conformity with GAAP requires OTRP to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Claims reserve represents a material estimate that is susceptible to significant change in the near term.

Revenue Recognition: Member contributions are recognized on the accrual basis and are recorded as revenue in the period earned. Member contributions received in advance are recorded as unearned member contributions. Member contributions are estimated annually to produce a sum of money adequate to fund reserves for claims (at between 75% and 80% actuarial confidence level) and unallocated loss adjustment expenses, to purchase reinsurance and/or excess insurance, and to fund the administrative expenses of OTRP. Contributions for individual members are based on a formula which assesses the proportional risk that each member brings to OTRP for each loss year.

Cash and Cash Equivalents: For cash flow purposes, OTRP considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2007**

Automobile, Computer Equipment, and Software: Automobile, computer equipment and software are carried at cost. Depreciation is provided on the straight-line basis over their estimated useful lives. Depreciation expense for the period ended November 30, 2007 is \$18,708.

Compensated Absences: Employees of the organization are entitled to paid vacation and sick days, depending on job classification, length of service and other factors. The organization's policy on vacation is use it or lose it by the end of the calendar year. Therefore, no accrual is recorded at year-end. Sick pay is accrued and carried forward at year end. The organization has accrued \$34,624 for sick days as of November 30, 2007.

Net Assets: Net assets represent the difference between assets and liabilities in the statements of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments.

Claims Deductible: The individual members are responsible for their deductibles. Each individual member has a \$1,000 deductible per occurrence for all coverages except for auto physical damage. Beginning in 2003, a three-tier auto physical damage deductible was established: \$1,000 for those members with 100 vehicles or less; \$5,000 for those with 101-150 vehicles; and \$25,000 for those members with greater than 150 vehicles.

Claims Reserves: OTRP claim staff is responsible for the adjustment of all new and open claims and establishment of claims reserves. The value of incurred but not reported claims and loss development is calculated by OTRP's actuary (Godbold, Malpere and Company) based upon the establishment of these claims reserves.

Net incurred losses represent an estimate of reported unpaid claims, plus provisions for loss development and claims incurred but not reported, and are net of salvage and subrogation. OTRP's management believes that the estimate of the claims reserves liability is reasonable and supported by valid actuarial calculations; however, actual incurred losses may vary from the estimated amount included in the accompanying financial statements. Should OTRP's assets not be sufficient to meet future claim payments, OTRP's Board has the ability to assess the members supplemental contributions.

Allocated and Unallocated Loss Adjustment Expenses: Loss adjustment expenses include all adjustment costs to be incurred in connection with the settlement of unpaid claims. Allocated loss adjustment expenses are those that can be associated directly with specific claims paid or in the process of settlement, such as legal defense fees. Unallocated loss adjustment expenses are costs that cannot be associated with specific claims but are generally related to claims paid or in the process of settlement.

Pool Termination: In the event of the termination of OTRP, all members of OTRP, past and present, are obligated for any necessary supplemental contribution attributable to years during which they were members. After all claims and related expenses have been properly paid or reserves established for the payment of any such claims, any surplus member funds shall be distributed to members, past and present, in proportion to their interest in such surplus member funds.

Income Taxes: Under Section 115 of the Internal Revenue Code, premiums and investment income with respect to premium receipts are excluded from taxable income of OTRP. OTRP's management believes that OTRP is designed and currently being operated in compliance with applicable requirements of the Internal Revenue Code.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to the current year's presentation. Such reclassifications had no impact on the change in net assets.

Statements of Cash Flows: For purposes of these statements, cash and cash equivalents consists of deposits with financial institutions and a State of Ohio depository institution having an original maturity of 90 days or less.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS

OTRP designated Fifth Third Bank for the deposit of its funds and AMBS Investment Services to assist with investing idle cash.

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

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure, OTRP's deposits may not be returned to it. OTRP's policy related to custodial credit risk of bank deposits is to evaluate 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. OTRP maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses, and as a result, generally requires balances that exceed the FDIC insurance limits of \$100,000.

At year-end, the carrying amount of OTRP's deposits was \$4,434,137 and the bank balance was \$4,448,723. Of the bank balance \$100,000 was covered by Federal depository insurance and \$4,348,723 was uninsured and collateralized with securities held by the pledging institution's trust department, not in OTRP's name.

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. OTRP's investment policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with OTRP's cash requirements.

Investments at November 30, 2007, are stated at fair market value and are summarized as follows:

	2007	
	Cost	Fair Value
Corporate Bonds	\$ 4,531,054	\$ 4,558,695
Governmental Agencies and Treasuries	1,242,928	1,291,911
Money market funds	275,450	275,450
Total	\$ 6,049,432	\$ 6,126,056

NOTE 4 --SELF-INSURED RETENTION

OTRP retains responsibility for the payment of claims up to specified retention limits prior to the application of coverage provided by reinsurance or by excess insurance contracts. For the year ended November 30, 2007, OTRP's per occurrence retention for auto physical damage was \$250,000 while its per occurrence commercial property damage retention was \$100,000. OTRP's per occurrence retention for liability claims (including, auto liability, public officials' liability and general liability) remained constant for the year ended November 30, 2007 at \$1,000,000.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2007**

NOTE 5 --REINSURANCE AND/OR EXCESS INSURANCE CONTRACTS

OTRP maintains reinsurance and/or excess insurance contracts with qualified reinsurers and excess insurance carriers, which provide various limits of coverage over OTRP's self-insured retentions. Under OTRP's bylaws, the Board of Trustees annually determines the types of reinsurance and/or excess insurance contracts to purchase and the appropriate limits. For the year ended November 30, 2007, OTRP purchased the following types of reinsurance and/or excess insurance contracts in excess of OTRP's self-insured retention:

	<u>Per-Occurrence Limits</u>
	<u>2007</u>
REINSURANCE AND/OR EXCESS INSURANCE CONTRACTS	
Commercial property	\$ 200,000,000
Auto Physical Damage	50,000,000
Auto Physical Damage Over the Road	2,000,000
Boiler	50,000,000
Flood (various zones excluded)	25,000,000
Earthquake	25,000,000
General liability	5,000,000
Automobile liability (including transit)	7,500,000
Public official liability	5,000,000
Employee dishonesty - crime	4,000,000

In the event that a series of losses or single loss should exceed the amount of coverage provided by the self-insurance fund, reinsurance and/or excess insurance contracts, and any amount of supplemental payments for which members are obligated, the payment of any remaining loss is the obligation of the individual member against which the claim was made. In the unlikely event that any of the reinsurers or excess reinsurers fail to meet their obligations under the reinsurance and/or excess insurance contracts, OTRP and its members would be responsible for such defaulted amounts.

NOTE 6 --RESTATEMENT OF PRIOR YEAR NET ASSETS

The previous year net assets were adjusted as follows due to an unrecorded capital asset.

Net Assets, November 30, 2006	\$	2,663,617
Adjustment		10,000
Net Assets, December 1, 2006	\$	2,673,617

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2007**

NOTE 7 --CLAIMS RESERVE

OTRP establishes a claims liability reserve which includes both reported and unreported covered events and estimates of future payments of losses and related claim adjustment expenses. The changes in the claims reserve are as follows:

Unpaid claims and claim adjustment expenses, beginning of year	\$ 5,646,000
Incurred claims and claim adjustment expenses:	
Provision for covered events of the current year	1,979,043
Increase (decrease) in provision for insured events of prior years	<u>(2,223,404)</u>
Total incurred claims and claim adjustment expenses	<u>(244,361)</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current year	221,617
Claims and claim adjustment expenses attributable to insured events of prior years	<u>1,004,154</u>
Total payments	<u>1,225,771</u>
Unpaid claims and claim adjustment expenses, end of year	<u><u>\$ 4,175,868</u></u>

The net unpaid claims and claim adjustment expense reserves represent OTRP's estimate of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled and of claims that have been incurred, but not reported.

Since OTRP began operation in 1994, OTRP's actuary has supplemented OTRP's historical loss data (both paid and incurred) with reliable industry data (both paid and incurred) in estimating OTRP's ultimate losses, and has selected indicated losses and loss expense reserves of \$4,175,868 for the year ended November 30, 2007. The net amounts that will ultimately be paid to settle the liability may vary significantly from the estimated amount provided for in the financial statements.

NOTE 8 --MEMBERS PAYABLE

Any redundancy resulting from surplus left over from closed loss years is added to Members Payable. The outstanding balance at November 30, 2007 is \$883,564.

NOTE 9 --LINE OF CREDIT

During September 2007, OTRP renewed its line of credit with Fifth Third Bank with a maximum availability of \$1,000,000. Borrowings under this line bear interest at the bank's prime lending rate. At November 30, 2007, no borrowings were outstanding. The line of credit is secured by substantially all business assets.

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2007**

NOTE 10 --IRREVOCABLE LETTER OF CREDIT

During November 2004, the OTRP Board authorized OTRP's participation in a joint venture, Transit Reinsurance, Ltd. ("Transit Re"), a captive insurance company domiciled in Vermont, designed to ensure the constant availability of affordable liability reinsurance protection for its participant/owner transit pools. In order to capitalize Transit Re, participant pools agreed to contribute \$175,000 each either by cash contributions or by irrevocable letter of credit to the Vermont Bureau of Insurance, Securities and Health Care Administration ("VT BISHCA"), at which time the captive incorporated. OTRP decided to make its initial capital contribution to Transit Re by irrevocable letter of credit from Fifth Third Bank, secured by substantially all business assets. During November 2005, OTRP (along with all other Transit Re participants) authorized an increase in its capital contribution to \$300,000 per pool for the purpose of launching Transit Re's operations, effective December 1, 2005. OTRP made its capital contribution by increasing its letter of credit from Fifth Third Bank from \$175,000 to \$300,000, secured by substantially all business assets, on behalf of VT BISHCA. During 2007, the existing letter of credit was extended thru November 2008.

NOTE 11 --REINSURANCE CONTINGENCY

All reinsurers/excess insurers supporting OTRP's loss years are believed by management to be solvent and maintain investment quality financial ratings by AM Best.

NOTE 12 --OPERATING LEASE

OTRP leases office space under an operating lease expiring in September 2011. The aggregate future minimum lease obligation for the next two years is as follows:

Year ended November 30	Total
2008	\$ 20,287
2009	20,895
Total	\$ 41,182

Rent expense (including janitorial services) for the period ended November 30, 2007 totaled \$19,696.

NOTE 13 --CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2007:

Description	Balance 11/30/2006	Additions	Deletions	Balance 11/30/2007
Automobile, Computer Equipment and Software	124,309	8,995	-	133,304
Accumulated Depreciation	(82,188)	(18,708)	-	(100,896)
Total	\$ 42,121	\$ (9,713)	\$ -	\$ 32,408

OHIO TRANSIT RISK POOL
SUMMIT COUNTY

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT
FOR THE YEAR ENDED NOVEMBER 30, 2007

	Public Officials/ General Liability	Auto/ Transit Liability	Crime/ Physical Damage/ Commercial Property	Total
Unpaid claims and claim adjustment expenses, beginning of year	\$ 2,146,262	\$ 3,166,415	\$ 333,323	\$ 5,646,000
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	17,412	1,785,148	95,768	1,898,328
Increase (decrease) in provision for insured events of prior years	(59,369)	(1,627,862)	(201,074)	(1,888,305)
Total incurred claims and claim adjustment expenses	(41,957)	157,286	(105,306)	10,023
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	3,500	43,585	68,040	115,125
Claims and claim adjustment expenses attributable to insured events of prior years	16,683	1,308,566	39,781	1,365,030
Total payments	20,183	1,352,151	107,821	1,480,155
Unpaid claims and claim adjustment expenses, end of year	<u>\$ 2,084,122</u>	<u>\$ 1,971,550</u>	<u>\$ 120,196</u>	<u>\$ 4,175,868</u>

OHIO TRANSIT RISK POOL
SUMMIT COUNTY

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT
FOR THE YEAR ENDED NOVEMBER 30, 2006

	Public Officials/ General Liability	Auto/ Transit Liability	Crime/ Physical Damage/ Commercial Property	Total
Unpaid claims and claim adjustment expenses, beginning of year	\$ 347,306	\$ 5,039,777	\$ 167,176	\$ 5,554,259
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	1,351	2,365,381	441,476	2,808,208
Increase (decrease) in provision for insured events of prior years	2,462,804	(3,746,346)	211,955	(1,071,587)
Total incurred claims and claim adjustment expenses	2,464,155	(1,380,965)	653,431	1,736,621
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year		302,017	364,592	666,609
Claims and claim adjustment expenses attributable to insured events of prior years	665,199	190,380	122,692	978,271
Total payments	665,199	492,397	487,284	1,644,880
Unpaid claims and claim adjustment expenses, end of	\$ 2,146,262	\$ 3,166,415	\$ 333,323	\$ 5,646,000

OHIO TRANSIT RISK POOL
SUPPLEMENTAL INFORMATION
REVENUE AND CLAIMS DEVELOPMENT INFORMATION
NOVEMBER 30, 2007

Government Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (as amended by GASB Statement No. 30, "Risk Financing Omnibus"), requires the presentation of ten years supplemental revenue and reserve development information, if available. OTRP is presenting supplemental revenue and reserve development information since its inception.

The table on the following page illustrates how OTRP's earned revenues (member contributions) compare to related claims and other expenses (purchased insurance) assumed by OTRP as of the end of the year. The rows of the table are defined as follows:

1. Total of members' contributions.
2. OTRP's purchased insurance costs.
3. Incurred claims and allocated adjustment expense (both paid and accrued "Net Paid Losses") as originally reported at the end each fiscal year in which the claims occurred.
4. Net indicated loss and loss expense reserve (including IBNR) as calculated yearly by the actuary.
5. Estimated net ultimate incurred claims at the end of the audited fiscal year. (Current net paid losses plus current loss and loss expense reserve.)
6. The original estimated ultimate incurred claims and expense at the end of the original policy year for each loss year.
7. The deviation from the originally estimated ultimate incurred claims at the end of the first policy year, and the difference between the actual current estimated ultimate incurred claims and the end of the audited fiscal year.

As data for individual years mature, the correlation between original and later estimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature years.

OHIO TRANSIT RISK POOL
SUPPLEMENTAL INFORMATION
REVENUE AND CLAIMS DEVELOPMENT INFORMATION

<u>Fiscal and Policy Year Ended</u>	<u>11/30/2007</u>	<u>11/30/2006</u>	<u>11/30/2005</u>	<u>11/30/2004</u>	<u>12/31/2003</u>	<u>12/31/2002</u>	<u>12/31/2001</u>	<u>12/31/2000</u>	<u>12/31/1999</u>	<u>12/31/1998</u>	<u>12/31/1997</u>	<u>12/31/1996</u>	<u>12/31/1995</u>
1. Member Contributions:	\$3,755,581	\$5,340,851	\$5,584,809	\$5,322,770	5,257,634	\$3,348,146	\$2,775,470	\$2,287,948	\$2,185,752	\$1,886,429	\$1,618,864	\$1,868,521	\$1,849,950
2. Purchased insurance costs:	\$1,363,138	\$1,928,677	\$1,601,732	\$1,682,708	1,471,061	\$713,590	\$375,446	\$367,010	\$504,167	\$499,019	\$442,586	\$717,525	\$681,460
3. Net Paid Losses:													
For the policy year	\$115,125	\$666,609	\$186,069	\$101,086	\$67,888	\$684,866	\$706,766	\$1,291,058	\$1,209,436	\$588,466	\$820,885	\$923,360	\$770,873
One year later		\$828,955	\$443,011	\$303,432	\$1,449,394	\$305,317	\$1,624,371	\$782,667	\$1,381,636	\$600,192	\$752,692	\$934,531	\$857,422
Two years later			\$752,084	\$420,899	\$2,430,524	\$621,450	\$1,265,186	\$1,601,337	\$1,244,016	\$939,213	\$835,146	\$1,042,528	\$982,309
Three years later				\$1,122,868	\$2,753,600	\$969,050	\$1,691,385	\$1,397,925	\$1,429,722	\$963,389	\$837,410	\$931,243	\$953,869
Four years later					\$2,754,441	\$1,219,473	\$1,602,138	\$1,397,900	\$1,750,350	\$910,627	\$877,636	\$783,740	\$884,764
Five years later						\$1,257,261	\$1,602,138	\$1,440,989	\$1,750,350	\$846,677	\$828,391	\$796,307	\$830,462
Six years later							\$1,602,138	\$1,168,776	\$1,750,350	\$845,464	\$822,094	\$856,478	\$830,208
Seven years later								\$1,168,776	\$1,750,350	\$847,272	\$821,681	\$858,710	\$889,032
Eight years later									\$1,750,350	\$847,272	\$821,681	\$858,501	\$921,644
Nine years later										\$847,117	\$821,681	\$858,501	\$921,644
Ten years later											\$821,680	\$858,501	\$921,644
Eleven years later												\$858,501	\$921,644
Twelve years later													\$921,644
4. Net indicated Loss & Loss Expense Reserves (including IBNR):													
For the policy year	\$1,840,244	\$2,247,694	\$2,949,301	\$2,389,172	\$3,531,444	\$1,211,446	\$723,416	\$980,060	\$1,163,023	\$578,795	\$792,726	\$876,261	\$778,997
One year later		\$1,634,024	\$2,142,869	\$1,591,149	\$1,860,955	\$968,110	\$1,120,583	\$795,162	\$933,287	\$399,808	\$370,221	\$768,068	\$513,274
Two years later			\$648,940	\$1,151,044	\$508,908	\$778,392	\$632,753	\$646,313	\$644,663	\$487,662	\$302,644	\$487,969	\$579,211
Three years later				\$52,560	\$32,975	\$407,179	\$119,881	\$89,535	\$192,714	\$211,798	\$129,529	\$216,351	\$285,055
Four years later					\$0	\$71,446	\$2,250	\$113,210	\$41,399	\$79,592	\$110,543	\$17,226	\$69,671
Five years later						\$0	\$0	\$95,472	\$0	\$0	\$0	\$0	\$6,923
Six years later							\$0	\$0	\$0	\$0	\$0	\$0	\$0
Seven years later								\$0	\$0	\$0	\$0	\$0	\$0
Eight years later									\$0	\$0	\$0	\$0	\$0
Nine years later										\$0	\$0	\$0	\$0
Ten years later											\$0	\$0	\$0
Eleven years later												\$0	\$0
Twelve years later													\$0
5. Estimated net ultimate incurred claims and loss & loss expense at 11/30/07 :	\$2,070,494	\$2,462,979	\$1,401,024	\$1,175,428	\$2,754,441	\$1,257,261	\$1,602,138	\$1,168,776	\$1,750,350	\$847,117	\$821,680	\$858,501	\$921,644
6. Original Estimated Ultimate incurred claims and expense at end of first policy year:	\$2,070,494	\$2,914,303	\$3,135,370	\$2,490,258	\$3,599,332	\$1,896,312	\$1,430,182	\$3,701,300	\$2,372,459	\$1,167,261	\$1,613,611	1,799,621	\$1,549,870
7. Deviation from original estimate as of 11/30/2007:	\$0	(\$451,324)	(\$1,734,346)	(\$1,314,830)	(\$844,891)	(\$639,051)	\$171,956	(\$2,532,524)	(\$622,109)	(\$320,144)	(\$791,931)	(\$941,120)	(\$628,226)

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Ohio Transit Risk Pool
Summit County
34 Merz Blvd., Suite D
Fairlawn, OH 44333

To the Board of Trustees:

We have audited the financial statements of the Ohio Transit Risk Pool, Summit County (OTRP) as of and for the year ended November 30, 2007, and have issued our report thereon dated June 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OTRP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

June 12, 2008

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY, OHIO
For the year ended November 30, 2007**

Status of Prior Audit Findings

The prior audit report, for the year ending November 30, 2006, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

OHIO TRANSIT RISK POOL

SUMMIT 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 30, 2008**