Ohio Transit Risk Pool - Medina County

Financial Report

with Supplemental Information

November 30, 2011

Dave Yost · Auditor of State

Board of Trustees
Ohio Transit Risk Pool
1 Park Center Drive, Suite 300
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the Ohio Transit Risk Pool, Medina County, prepared by Plante & Moran, PLLC, for the audit period December 1, 2010 through November 30, 2011. 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.

Dave Yost
Auditor of State

July 5, 2012

This page intentionally left blank.

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-9
Financial Statements	
Statement of Net Assets	10
Statement of Revenue, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-25
Required Supplemental Information	26
Schedule of Claims Information for All Lines of Coverage	27-28
Statement of Reconciliation of Net Reserves for Claims and Claims Adjustment Expenses by Type of Contract	29
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*	30-33

plante moran

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Ohio Transit Risk Pool - Medina County

We have audited the accompanying statement of net assets of Ohio Transit Risk Pool - Medina County (OTRP) as of November 30, 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. 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 as of November 30, 2010 were audited by other auditors, whose report dated April 8, 2011 expressed an unqualified opinion on those statements prepared in conformity with accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 Ohio Transit Risk Pool - Medina County at November 30, 2011 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of claims information for all lines of coverage, and the statement of reconciliation reserves for claims and claims adjustment expenses by type of contract, as identified in the table of contents, 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.

To the Board of Trustees
Ohio Transit Risk Pool - Medina County

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012 on our consideration of Ohio Transit Risk Pool - Medina County'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 opinions 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.

Plante & Moran, PLLC

May 25, 2012

This section of Ohio Transit Risk Pool - Medina County's (OTRP) annual financial report presents our discussion and analysis of OTRP's financial performance during the year ended November 30, 2011. Please read it in conjunction with OTRP's financial statements, which immediately follow this section.

Using this Annual Report

OTRP is a not-for-profit corporation that provides property and liability coverage to its participating members. Membership in OTRP is comprised exclusively of Ohio Political Subdivisions, Regional Transit Authorities, County Transit Boards, and other Ohio County Transit operations. OTRP uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The basic financial statements, which follow this section, provide both long- and short-term information about OTRP's financial status. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of OTRP. These are followed by the statement of cash flows, which presents detailed information about the changes in OTRP's cash position during the year. These statements reflect only the risk carried by OTRP, which also includes any potential unrecoverable reinsurance claims.

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 three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting OTRP's assets, liabilities, and net assets and is categorized into current and noncurrent assets and liabilities.

- **Statement of Revenue, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and reinsurance costs. Nonoperating revenue and expenses consist primarily of investment activity and distributions to members.

- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating 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 fiscal year

Financial Highlights

During 2011, OTRP's financial activities were highlighted by the following significant events:

- OTRP continued with a very stable environment of open claims and lawsuits with a reduction at fiscal year end from 89 to 85. This was coupled with a decrease in the corresponding case reserves from $1,349,996 at November 30, 2010 to $472,795 at November 30, 2011. This was accomplished through a continuation of proactive claims adjustment efforts and the aggressive implementation of loss control strategies contained in OTRP's risk management program.

- OTRP carried a fully funded "Shock Loss Fund". Under OTRP board policy, members are required to fund one-time their annual contribution on account. This strategy will allow OTRP to operate under a high level self-insured environment while stabilizing the potential for future special assessments and maximizing member equity returns.

- Due to the funding of the "Shock Loss Fund", OTRP ceased the purchase of a "buy-down" liability reinsurance placement. This coverage had been purchased by OTRP beginning in 2007 to stabilize losses and reduce the potential for future special assessments.

- OTRP continues to purchase reinsurance and an excess policy to cover per occurrence losses in excess of $1,000,000. This coverage places OTRP's overall liability limits at $10,000,000 per occurrence.

- OTRP offered members flexible liability deductible options tailored to their individual needs, ranging from $1,000 per occurrence to $250,000 per occurrence. Members electing to increase their individual deductibles above $1,000 per occurrence received actuarially calculated credits to their loss fund contributions. Metro RTA selected a $5,000 per occurrence liability deductible, while TARTA selected a $250,000 per occurrence liability deductible.

- OTRP added TARTA to the OTRP Property Program as of October 15, 2011. TARTA was previously the only OTRP member without full participation in all lines of coverage. As of fiscal year-end 2011, all members participate in all lines.

- OTRP entered into a collaboration with Washington State Transit Insurance Pool to create and produce a professional transit driver training program. The program consists of modules for paratransit, fixed route, and resources to train the trainer. This program will allow consistent base line training and re-training for all OTRP members.

- As required by OTRP board policy, completed the three-year independent claims audit of the internal claims operations of OTRP with no exceptions noted.

- Under new accountability and commitment from the membership, OTRP reduced the member receivables in a past due status from $74,007 on November 30, 2010 to $45,876 as of November 30, 2011. Total member receivables including the past due amounts at November 30, 2011 were $140,679.

- During 2011, distributions to members were made totaling $1,804,372. This was accomplished through a return from Loss Year (11) 2005 and Loss Year (12) 2006 and a return of interest income and contributions under the Shock Loss Fund Board Policy. This brings the total (for all years) members' equity return to $6,809,286.

- With the closure and return of Loss Year (11) 2005 and Loss Year (12) 2006, OTRP has completed the run-off of two members, GDRTA and RCTB. Although this action would have impacted OTRP's financial position, the OTRP board of trustees countered this effect by creating and maintaining the Shock Loss Fund.

- As of fiscal year-end 2011, management is not aware of any claims liability or carrier insolvency which could create a special assessment.

Condensed Financial Information

The financial statements report OTRP's net assets and how they have changed. Net assets - the difference between OTRP's assets and liabilities - are one way to measure OTRP's financial health or position. Over time, increases and decreases in OTRP's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information follows:

	November 30			
Condensed Statement of Net Assets	2011	2010	2009	2011/2010 Increase/(Decrease)
Assets				
Cash and cash equivalents and short-term investments	$ 2,707,477	$ 2,487,807	$ 3,338,330	$ 219,670
Other current assets	148,602	205,235	789,050	(56,633)
Total current assets	2,856,079	2,693,042	4,127,380	163,037
Long-term assets:				
Investments	5,349,501	5,737,452	4,934,674	(387,951)
Fixed assets - Net of depreciation	41,214	64,961	90,880	(23,747)
Total assets	**$ 8,246,794**	**$ 8,495,455**	**$ 9,152,934**	**$ (248,661)**
Liabilities				
Current	$ 2,261,219	$ 1,571,326	$ 2,731,132	$ 689,893
Long term	997,762	969,996	1,142,309	27,766
Total liabilities	3,258,981	2,541,322	3,873,441	717,659
Net Assets - Unrestricted	4,987,813	5,954,133	5,279,493	(966,320)
Total liabilities and net assets	**$ 8,246,794**	**$ 8,495,455**	**$ 9,152,934**	**$ (248,661)**

Condensed Statement of Changes in Net Assets	Year Ended November 30 2011	2010	2009	2011/2010 Increase/(Decrease)
Operating Revenue	$ 2,195,101	$ 2,111,351	$ 1,666,036	$ 83,750
Operating Expenses				
Provision for claims	(561,587)	(562,172)	301,898	(585)
Administrative expenses	(803,152)	(743,149)	(757,876)	60,003
Total operating expenses	(1,364,739)	(1,305,321)	(455,978)	(59,418)
Operating Income	830,362	806,030	1,210,058	24,332
Nonoperating Income (Expenses)				
Investment earnings and realized and unrealized gains and losses on investments	7,690	74,540	486,807	(66,850)
Distributions to members	(1,804,372)	(205,930)	(1,520,223)	1,598,442
Total nonoperating expenses	(1,796,682)	(131,390)	(1,033,416)	(1,665,292)
(Decrease) Increase in Net Assets	**$ (966,320)**	**$ 674,640**	**$ 176,642**	**$ (1,640,960)**

In addition to net assets, when assessing the overall health of OTRP, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by OTRP and its members.

Condensed Comparative Financial Highlights

- Total current assets increased by $163,037 while long-term investments decreased by $387,951 between 2011 and 2010. These changes were a combination of distributions to members and claim payments.

- OTRP's fixed assets, net, decreased from 2010 by $23,747. This is due to ordinary depreciation of OTRP fixed assets.

- OTRP's liabilities increased by $717,659. The increase occurred due to the closure of two loss years, (LY11) 2005 and (LY12) 2006, which created an increase of surplus refunds held on-account. It was also impacted by pre-payment of member premiums prior to the first day of the new fiscal year (LY18) 2012.

- The difference between assets and liabilities, or "net assets," decreased by $248,661. This number was significantly impacted by the completed run-off of GDRTA and RCTB.

- OTRP operating expenses were impacted by the cost of the OTRP driver training program.

- Total OTRP revenue (net of reinsurance/excess insurance premiums) increased to $2,195,101 in 2011 from $2,111,351 in 2010. This was primarily due to the fact that OTRP's required contributions to the Shock Loss Fund decreased $341,418 and other operating income decreased $9,596. OTRP did see a very slight increase in overall membership contribution in the amount of $31,433.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments comprise the most significant numbers in the asset section of OTRP's statement of net assets.

Accordingly, the board of trustees has established investment policies. The fundamental objectives are:

1. To preserve the capital in the investment portfolio

2. To remain sufficiently liquid to enable OTRP to meet its cash flow requirements

3. To attain a market rate of return on the investments' consistent prudent investment practices and with the risk limitations provided for in OTRP's cash and investment policy

Investment guidelines provide that OTRP may invest in any type of security allowed for by state or federal statute. Approved investments may include U.S. dollar denominated debt securities issued by the U.S. government and its agencies, STAR-Ohio or other successor investment pools operated or managed by the Treasurer of the State of Ohio, money market funds, and corporate bonds. Money market funds must be invested in U.S. dollar denominated debt securities issued by the U.S. government and its agencies. All corporate bonds must have a quality rating of Aa3 or A1 by Moody's or A+ or AA- by S&P. No more than 50 percent of OTRP's investment portfolio at the time of investment placement, exclusive of debt securities issued by the U.S. government or its agencies or STAR-Ohio securities, shall be in one financial institution, except on a short-term basis when annual premiums are received.

Investment guidelines for cash and cash equivalents provide that all funds on deposit in excess of FDIC limits be secured by some form of collateral. Direct investments guaranteed by the U.S. government or its agencies shall not require collateralization.

OTRP's investments are professionally managed and invested consistent with the safeguards and diversity which aim to, at a minimum, preserve overall portfolio principal. Investments are held in trust by JPMorgan Chase Bank. AMBS Investment Counsel acts as the investment portfolio manager.

Reserves for Claims

OTRP administers claims and pays for covered losses experienced by its members. All claims are processed and managed by OTRP. Reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred, but are not yet known to OTRP and for reported claims that are expected to develop. Pinnacle Actuarial Resources, Inc. conducts an independent actuarial analysis to determine the adequacy and reasonableness of these reserves.

Budgetary Highlights

OTRP adopts an annual operating budget for the current year. The budget is presented to OTRP's board of trustees for final review and adoption. OTRP's management prepares the budget and reviews expenditures on a quarterly basis to assure compliance with the adopted budget.

	Annual Budget	Year to Date Actual	Budget vs. Actual
Operating Revenue			
Membership contributions	$ 3,519,516	$ 3,514,201	$ (5,315)
Other operating revenue	24,350	23,027	(1,323)
Less reinsurance/excess insurance premiums	(1,345,171)	(1,342,127)	3,044
Total operating revenue	2,198,695	2,195,101	(3,594)
Operating Expenses			
Claims and claims adjustment expenses	561,587	561,587	-
Professional fees and other	186,850	169,107	(17,743)
Pool operations	151,350	137,092	(14,258)
Salaries and employee benefits	428,135	472,102	43,967
Depreciation	-	24,851	24,851
Total operating expenses	1,327,922	1,364,739	36,817
Nonoperating Income (Expense)			
Net investment income	220,000	7,690	(212,310)
Distributions to members	-	(1,804,372)	(1,804,372)
Total nonoperating income (expense)	220,000	(1,796,682)	(2,016,682)
Change in Net Assets	**$ 1,090,773**	**$ (966,320)**	**$ (2,057,093)**

The following is an explanation of the significant variances of the budget to actual for 2011.

- Excess and reinsurance premiums were slightly higher due to the mid-year addition of TARTA to the OTRP property program.

- Sick leave liability in the amount of $48,616 has been recorded as salary and employee benefits expense. Without considering this liability, salary and employee benefits expense is $423,486, or $4,649 under budget.

- Capital losses and gains (realized or unrealized) are not budgeted for within the OTRP program. OTRP booked $145,570 in unrealized losses from the overall investment program which has been netted against interest for this budget presentation.

- Distributions to members occur periodically when liabilities have been satisfied from prior loss years. Distributions are paid from funds contributed from prior budgets and are not budgeted for within the yearly OTRP administration program.

Contacting OTRP's Management

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 the Chief Executive Officer of OTRP, 1 Park Centre Drive, #300, Wadsworth, OH 44281.

Statement of Net Assets

	November 30	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 974,100	$ 1,156,569
Investments (Note 2)	1,733,377	1,331,238
Accounts receivable - Members	140,679	202,235
Prepaid expenses	7,923	3,000
Total current assets	2,856,079	2,693,042
Long-term assets:		
Investments (Note 2)	5,349,501	5,737,452
Fixed assets - Net of depreciation (Note 3)	41,214	64,961
Total assets	**$ 8,246,794**	**$ 8,495,455**

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Accounts payable	$ 62	$ 124
Accrued wages and payroll taxes	61,699	14,860
Current portion of reserves for claims (Note 4)	339,000	380,000
Members' payable (Note 7)	1,578,744	1,176,342
Premiums received in advance	281,714	-
Total current liabilities	2,261,219	1,571,326
Long-term Liabilities - Reserves for claims - Net of current portion (Note 4)	997,762	969,996
Total liabilities	3,258,981	2,541,322
Net Assets - Unrestricted	4,987,813	5,954,133
Total liabilities and net assets	**$ 8,246,794**	**$ 8,495,455**

See Notes to Financial Statements.

Ohio Transit Risk Pool - Medina County

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended November 30	
	2011	2010
Operating Revenue		
Membership contributions	$ 3,514,201	$ 3,824,186
Other operating income	23,027	32,623
Reinsurance/excess insurance premiums	(1,342,127)	(1,745,458)
Total operating revenue	2,195,101	2,111,351
Operating Expenses		
Claims (Note 4):		
Paid	574,821	819,485
Change in reserves for claims	(13,234)	(257,313)
Total claims	561,587	562,172
Professional fees and other	169,107	156,950
Pool operations	137,092	145,350
Salaries and employee benefits	472,102	414,310
Depreciation	24,851	26,539
Total operating expenses	1,364,739	1,305,321
Operating Income	830,362	806,030
Nonoperating Income (Expenses)		
Investment earnings	153,260	186,254
Realized and unrealized losses on investments	(145,570)	(111,714)
Distributions to members	(1,804,372)	(205,930)
Total nonoperating expenses	(1,796,682)	(131,390)
(Decrease) Increase in Net Assets	(966,320)	674,640
Net Assets - Beginning of year	5,954,133	5,279,493
Net Assets - End of year	**$ 4,987,813**	**$ 5,954,133**

See Notes to Financial Statements.

Statement of Cash Flows

	Year Ended November 30 2011	2010
Cash Flows from Operating Activities		
Cash received from members	$ 3,849,898	$ 4,607,842
Cash paid for claims	(588,055)	(1,076,799)
Cash paid for reinsurance premiums	(1,342,127)	(1,745,458)
Cash paid for administrative and general expenses	(692,613)	(630,153)
Net cash provided by operating activities	1,227,103	1,155,432
Cash Flows from Investing Activities		
Investment income received	153,260	160,751
Purchase of fixed assets	(1,104)	(1,220)
Purchase of investments	(1,819,960)	(2,464,406)
Proceeds from sales and maturities of investments	1,660,202	1,964,362
Net cash used in investing activities	(7,602)	(340,513)
Cash Flows from Financing Activities - Distributions to members	(1,401,970)	(1,115,745)
Net Decrease in Cash and Cash Equivalents	(182,469)	(300,826)
Cash and Cash Equivalents - Beginning of year	1,156,569	1,457,395
Cash and Cash Equivalents - End of year	**$ 974,100**	**$ 1,156,569**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 830,362	$ 806,030
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	24,851	26,539
Loss on disposal of fixed assets	-	600
Decrease (increase) in assets:		
Accounts receivable	61,556	577,726
Prepaid expenses	(4,923)	6,089
(Decrease) increase in liabilities:		
Accounts payable	(62)	(6,601)
Premiums received in advance	281,714	-
Accrued wages and payroll taxes	46,839	2,362
Reserves for claims	(13,234)	(257,313)
Net cash provided by operating activities	**$ 1,227,103**	**$ 1,155,432**

There were no noncash transactions in 2011 or 2010.

Note 1 - Nature of Business and Significant Accounting Policies

The Ohio Transit Risk Pool - Medina County (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 allowing its Ohio Political Subdivision Transit members to share loss exposures and financial resources through pooling risks, obtaining coverage, providing methods for paying claims, and providing 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, 2011 include the following Ohio Political Subdivision Transits: Allen County Regional Transit Authority (ACRTA), Laketran, Metro Regional Transit Authority (Metro RTA), Portage Area Regional Transportation Authority (PARTA), Stark Area Regional Transit Authority (SARTA), Western Reserve Transit Authority (WRTA), Butler County Regional Transit Authority (BCRTA), South East Area Transit (SEAT), Delaware County Transit Board (DATA), and Toledo Area Regional Transit Authority (TARTA). On December 1, 2009, OTRP amended its by-laws and no longer offers an associate membership; rather, it offers a voting or non-voting membership. OTRP currently does not have any non-voting members. As of October 15, 2011, TARTA was added to the Commercial Property program. As of fiscal year-end 2011, all members participate in all of the OTRP 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 Political Subdivision Regional Transit Authorities, County Transit Board, and other Ohio County Transit operations. Although its exposure is concentrated to a single geographical area, such exposure is reduced through the group purchase of reinsurance and/or excess insurance.

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 percent 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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

In addition to the member contributions, OTRP members will contribute to the Shock Loss Fund (the "SLF") based on an amount determined each year to be equal to their annual contribution. If a member's balance in their SLF drops below their annual contributions, the member shall fund up to 15 percent of the annual contribution until the balance of the SLF is equal to the current year's contribution. Once a member has an equal balance to the annual contribution, no additional funds will be required.

The accompanying financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America. A budget is not legally required; however, the OTRP board of trustees adopts an administrative budget annually.

OTRP follows governmental accounting standards applicable to business-type activities. Statements and interpretations of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board (GASB). OTRP has elected not to apply the statements and interpretations of the FASB that are issued after November 30, 1989 to its business-type activities.

OTRP distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with OTRP's principal ongoing operations. The principal operating revenue relates to members' contributions. Operating expenses include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. Net investment earnings are reported as nonoperating income.

Cash and Cash Equivalents - OTRP considers all cash and cash equivalents held by financial institutions with original maturities of three months or less or held on hand to be cash and cash equivalents. All other short-term and long-term investments are excluded from cash and cash equivalents.

Investments - Investments consist of U.S. Treasury securities, U.S. agencies and pass-throughs, and corporate bonds which 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 assets.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounts Receivable - Receivables from members are stated at net invoice amounts. Receivables for deductibles are based on the applicable treaty. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. Management has determined all amounts are collectible and no allowance for doubtful accounts is required.

Fixed Assets - Fixed assets, which consist of automobiles, computer equipment, and software, are carried at cost, less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of depreciable assets. Costs of maintenance and repairs are charged to expense when incurred.

Premiums Received in Advance - Premiums received in advance represent premiums received in the current year for policies remaining effective into the next fiscal year.

Reserves for Claims - Reserves for claims represent OTRP's case reserves for incurred claims plus an estimate of provisions for loss development and claims incurred but not reported (IBNR), and are net of salvage and subrogation. No discount factor is applied to any case reserve or IBNR. OTRP claims staff is responsible for the adjustment of all new and open claims and establishment of claims reserves, except for TARTA, which reserves its claims individually up to its deductible of $250,000. The value of incurred but not reported claims and loss development is calculated by OTRP's actuary, Pinnacle Actuarial Resources, Inc. 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 obligations, OTRP's board has the ability to assess the members for supplemental contributions. At this time, no special assessment is required.

Net Assets - Net assets represent the difference between assets and liabilities in the statement 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. At the discretion of the board of trustees, net assets may be returned to members in the form of dividends. In 2011 and 2010, the board declared dividends totaling $1,804,372 and $205,390, respectively.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Claims Deductible - The individual members are responsible for their deductibles. For commercial property coverage, each individual member has a $1,000 deductible per occurrence. For auto physical damage, there is a three-tier deductible structure: $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. During the 2011 loss year, for auto physical damage, TARTA, Metro RTA, and Laketran carried a $25,000 deductibles; SARTA carried a $5,000 deductible, and all other members carried a $1,000 deductibles. Beginning in the 2008 loss year, for liability claims, OTRP members were provided with the option of a flexible deductible with a corresponding loss fund credit. During the 2011 loss year, Metro RTA carried a $5,000 per occurrence deductible for liability, TARTA carried a $250,000 deductible per occurrence for liability, and all other members carried a $1,000 deductible for liability.

Allocated and Unallocated Claims Adjustment Expenses - Claims adjustment expenses include all adjustment costs to be incurred in connection with the settlement of unpaid claims. Allocated claims 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 claims adjustment expenses are costs that cannot be associated with specific claims but are generally related to claims paid or in the process of settlement.

Risk Management - OTRP is exposed to various risks of loss related to property loss, torts, and errors and omissions. OTRP has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

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.

Tax Status - Under Section 115 of the Internal Revenue Code, premiums and investment income with respect to member contributions and investment income are excluded from taxable income of OTRP. Management believes that OTRP is designed and currently being operated in compliance with applicable requirements of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been included in the financial statements.

Contribution Deficiency - Anticipated investment income is considered in determining if a premium deficiency exists.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 reserves for claims as described in Note 4.

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

Note 2 - Deposits and Investments

OTRP has established an investment policy that was originally adopted by OTRP's board of trustees on December 24, 1994 and was amended June 15, 2010. The policy is ratified annually and is updated as needed. The policy was last ratified on June 14, 2011. OTRP may invest in any type of security allowed for by state or federal statute. Approved investments may include U.S. dollar denominated debt securities issued by the U.S. government and its agencies, STAR-Ohio or other successor investment pools operated or managed by the Treasurer of the State of Ohio, money market funds, and corporate bonds. Money market funds must be invested in U.S. dollar denominated debt securities issued by the U.S. government and its agencies.

OTRP's investments are held in OTRP's name. OTRP has designated JPMorgan Chase Bank for deposit of its cash and investments. AMBS Investment Counsel acts as the investment portfolio manager.

OTRP'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. Cash and cash equivalents totaled $974,100 and $1,156,569 at November 30, 2011 and 2010, respectively.

Note 2 - Deposits and Investments (Continued)

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 does not have a specific deposit policy for custodial credit risk of bank deposits; however, OTRP 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, OTRP 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. Effective December 31, 2010 through December 31, 2012, the FDIC adopted the "Dodd-Frank Act", which altered the FDIC coverage to fully guarantee all noninterest-bearing transaction accounts but restricted the guarantee to a maximum of $250,000 on accounts bearing nominal interest rates. At November 30, 2011 and 2010, OTRP had bank deposits of $724,100 and $866,355, respectively, that were uninsured and uncollateralized.

At November 30, OTRP had the following investments reported at fair value:

	2011	2010
U.S. Treasury	$ 811,691	$ 1,208,937
U.S. agencies and pass-throughs	772,683	801,857
Corporate bonds	5,498,504	5,057,896
Total investments	$ 7,082,878	$ 7,068,690

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the custodian, OTRP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of November 30, 2011 and 2010, all of OTRP's investments were held by the investment's counterparty.

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.

Note 2 - Deposits and Investments (Continued)

At November 30, 2011 and 2010, OTRP had the following investments subject to interest rate risk:

	2011		2010	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	$ 811,691	1.70	$1,208,938	0.93
U.S. agencies and pass-throughs	772,683	0.73	801,857	1.73
Corporate bonds	5,498,504	2.28	5,057,895	2.53
Total fair value	$ 7,082,878		$7,068,690	
Portfolio weighted average maturity		2.05		2.17

Credit Risk - At November 30, 2011 and 2010, the credit quality ratings of debt securities by type, without regard to investment type, are as follows:

	Fair Value	
Rating	2011	2010
Corporate bonds:		
U.S. government	$ 1,584,374	$ 2,010,795
AAA	257,473	734,519
AA+	1,332,420	802,213
AA	1,164,643	1,057,960
AA-	1,171,422	1,667,572
A+	1,044,464	523,844
A	528,082	271,787
Total	$ 7,082,878	$ 7,068,690

The rating organization used by OTRP to rate its investments is Standard & Poor's.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OTRP's investment policy does not place a limit on the amount it may invest in any single issuer. Excluding investments issued or guaranteed by the U.S. government, there were no investments that individually exceed 5 percent of OTRP's total investments at November 30, 2011 and 2010.

Note 2 - Deposits and Investments (Continued)

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

Note 3 - Fixed Assets

Cost of fixed assets and depreciable lives are summarized as follows:

	2011	2010	Depreciable Life - Years
Automobiles	$ 23,700	$ 23,700	5
Computer equipment and software	105,849	104,745	3-10
Total cost	129,549	128,445	
Less accumulated depreciation	88,335	63,484	
Net carrying amount	$ 41,214	$ 64,961	

Total depreciation expense was $24,851 and $26,539 for November 30, 2011 and 2010, respectively.

Note 4 - Reserves for Claims

OTRP establishes reserves for claims and claims adjustment expenses for both reported and unreported insured events. A summary of changes in the reserves for claims and claims adjustment expenses for OTRP for the years ended November 30, 2011, 2010, and 2009 is as follows:

	2011	2010	2009
Reserve for claims and claims adjustment expenses - Beginning of fiscal year	$ 1,349,996	$ 1,607,309	$ 2,766,280
Incurred claims and claims adjustment expenses:			
Provision for insured events of the current fiscal year	1,247,281	860,745	1,011,592
Change in provision for insured events of prior fiscal years	(685,694)	(298,573)	(1,313,490)
Total incurred claims and claims adjustment expenses	561,587	562,172	(301,898)
Payments:			
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	287,117	124,994	350,020
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	287,704	694,491	507,053
Total payments	574,821	819,485	857,073
Reserve for claims and claims adjustment expenses - End of fiscal year	$ 1,336,762	$ 1,349,996	$ 1,607,309

The provision for insured events of prior fiscal years decreased in 2011 and 2009 and increased in 2010 due to either favorable or unfavorable developments in incurred claims and claims adjustment expenses.

Note 5 -Self-Insured Retention

OTRP 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 as described in Note 6. For 2011 and 2010, OTRP's per occurrence retention for auto physical damage was $250,000 and the per occurrence retention for commercial property damage was $100,000. OTRP's per occurrence retention for liability claims (including auto liability, public officials' liability and general liability) was $1,000,000. For each per occurrence claim within OTRP's self-insured retention, the member is charged the indicated deductible for the coverage period.

Note 6 - Reinsurance Coverage

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, 2011, OTRP purchased the following types of reinsurance and/or excess insurance contracts in excess of self-insured retentions described above:

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	10,000,000
Automobile liability (including transit)	10,000,000
Public official liability	1,000,000
Employee dishonesty - Crime	4,000,000

Since 2005, OTRP has participated in Transit Reinsurance Limited, Inc. (Transit Re), a captive reinsurer formed by Public Transit in America to stabilize long-term self-insurance and reinsurance costs. OTRP purchases $4 million in excess of $1 million in liability coverage with a 10 percent quota share. Additionally, OTRP participates in the shared quota-share within the captive's long-range strategic plan of self-insured growth based on capital earned. All reinsurers within Transit Re meet OTRP's underwriting standards for rating and performance.

Note 6 - Reinsurance Coverage (Continued)

In the event that a single loss or a series of losses should exceed the amount of coverage provided by the self-insured retention, reinsurance, and/or excess insurance contracts, and including any supplemental payments for which members are obligated in excess of the stated limits, 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.

All reinsurers/excess insurers are believed by management to be solvent and maintain investment quality financial ratings by AM Best which meet or exceed OTRP's policy requirements.

Note 7 - Members' Payable

When all known claims and expense liabilities within an individual loss year have been concluded, and the loss year has been in existence for at least four years, the OTRP board of trustees, under board policy, may refund any remaining surplus funds within that loss year as a distribution. Distributions shall be returned promptly as directed by the board of trustees into a unique general reserve fund (the "GRF") created for each OTRP member. Members may use their funds on-account within the GRF to pay for required contributions for any given year at any time. Once a year, members may remove any balance from their GRF as a cash distribution. The members' payable at November 30, 2011 and 2010 totaled $1,578,744 and $1,176,342, respectively.

Note 8 - Line of Credit

OTRP has a secured line of credit with JPMorgan Chase Bank with a maximum availability of $1,000,000, expiring January 17, 2013. Borrowings under the line of credit bear interest at 2.610 percentage points over LIBOR (an effective rate of 2.862 percent at November 30, 2011). OTRP had no amounts outstanding under the line of credit at November 30, 2011 or 2010. The line of credit is secured by substantially all business assets.

Note 9 - Letter of Credit

During November 2004, the OTRP board of trustees 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 made 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 captive member 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 2009, the existing letter of credit with Fifth Third Bank expired and a new instrument was executed with JPMorgan Chase Bank in the amount of $300,000. At November 30, 2011 and 2010, VT BISHCA had not drawn on the letter of credit and no obligations are outstanding.

Note 10 - Operating Lease

OTRP leases office space under an operating lease expiring on September 1, 2015. Total rent expense under this lease was $26,264 and $24,198 for the years ended November 30, 2011 and 2010, respectively.

Future minimum annual commitments under this operating lease are as follows:

Years Ending November 30	Amount
2012	$ 26,264
2013	26,789
2014	26,789
2015	20,092
Total	$ 99,934

Note 11 - Upcoming Accounting Pronouncements

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* was issued in December 2010. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. OTRP is currently evaluating the impact this standard will have on the financial statements when adopted during OTRP's 2012-2013 fiscal year.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* was issued by the GASB in June 2011 and will be effective for OTRP's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the statement of net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* was issued by the GASB in April 2012. The statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Once implemented, this statement will impact the format and reporting of the statement of net assets.

Required Supplemental Information

Required Supplemental Information
Schedule of Claims Information for Line of Coverage

The table on the following page illustrates how OTRP's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by OTRP as of the end of each of the last 10 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 coded to reinsurers, and net earned contribution revenue and reported investment revenue.

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

(3) This line shows the gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims 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 re-estimated amount of claims assumed by reinsurers 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 claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest re-estimated net incurred claims 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.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Ohio Transit Risk Pool - Medina County

Required Supplemental Information
Schedule of Claims Information for All Lines of Coverage

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(1) Required Premiums and Investment Revenue:										
Earned	$ 3,348,146	$ 5,257,634	$ 5,322,770	$ 5,584,890	$ 5,340,851	$ 3,755,581	$ 3,280,526	$ 3,435,084	$ 3,931,349	$ 3,544,918
Ceded	713,590	1,471,061	1,682,708	1,601,732	1,875,020	1,363,138	1,858,024	1,783,817	1,745,458	1,342,127
Net earned	2,634,556	3,786,573	3,640,062	3,983,158	3,465,831	2,392,443	1,422,502	1,651,267	2,185,891	2,202,791
(2) Unallocated Expenses	687,959	696,292	585,165	712,225	772,512	670,451	834,463	757,876	743,149	803,152
(3) Estimated Claims and Expenses - End of policy year:										
Incurred	1,415,246	3,586,442	2,499,486	3,160,092	2,887,651	1,938,124	716,677	1,021,592	860,745	1,247,281
Ceded	-	-	-	-	75,000	-	-	10,000	-	-
Net incurred	1,415,246	3,586,442	2,499,486	3,160,092	2,812,651	1,938,124	716,677	1,011,592	860,745	1,247,281
(4) Net Paid (Cumulative) as of										
End of policy year	203,800	54,998	107,316	165,116	639,957	97,779	108,319	350,020	124,994	287,117
One year later	286,896	1,546,799	294,400	438,611	767,757	370,271	156,054	501,544	240,902	-
Two years later	645,498	2,622,333	388,704	763,880	1,758,075	721,330	318,242	552,938	-	-
Three years later	1,019,156	2,736,868	1,047,282	929,659	1,832,759	806,760	381,776	-	-	-
Four years later	1,185,824	2,737,710	1,070,827	932,962	2,131,313	807,530	-	-	-	-
Five years later	1,223,612	2,737,710	1,101,099	931,286	2,140,340	-	-	-	-	-
Six years later	1,223,612	2,737,710	1,101,786	931,336	-	-	-	-	-	-
Seven years later	1,223,612	2,737,710	1,101,786	-	-	-	-	-	-	-
Eight years later	1,223,612	2,737,710	-	-	-	-	-	-	-	-
Nine years later	1,223,613	-	-	-	-	-	-	-	-	-
(5) Re-estimated Ceded Claims and Expenses	-	536,467	-	-	50,000	-	-	6,900	-	-
(6) Re-estimated Incurred Claims and Expenses:										
End of policy year	1,415,246	3,586,442	2,499,486	3,160,092	2,812,651	1,938,124	716,677	1,011,592	860,745	1,247,281
One year later	1,255,006	3,307,218	1,929,671	2,581,480	2,401,781	1,801,015	533,215	773,806	450,340	-
Two years later	1,295,249	3,150,971	1,539,748	1,412,820	2,361,415	1,002,020	477,865	643,609	-	-
Three years later	1,314,157	2,737,710	1,099,842	1,015,332	2,029,341	878,276	457,800	-	-	-
Four years later	1,223,612	2,737,710	1,108,992	987,411	2,194,134	807,521	-	-	-	-
Five years later	1,223,612	2,737,710	1,131,100	979,051	2,140,340	-	-	-	-	-
Six years later	1,223,612	2,737,710	1,101,786	931,336	-	-	-	-	-	-
Seven years later	1,223,612	2,737,710	1,101,786	-	-	-	-	-	-	-
Eight years later	1,223,612	2,737,710	-	-	-	-	-	-	-	-
Nine years later	1,223,612	-	-	-	-	-	-	-	-	-
(7) Change in Estimated Incurred Claims and Expenses From End of Policy Year	(191,634)	(848,732)	(1,397,700)	(2,228,756)	(672,311)	(1,130,603)	(258,877)	(367,983)	(410,405)	-

Required Supplemental Information
Statement of Reconciliation of Net Reserves for Claims and Claims Adjustment Expenses by Type of Contract

	Fiscal and Policy Years Ended November 30					
	2011			2010		
	Casualty	Property	Total	Casualty	Property	Total
Reserves for claims and claims adjustment expenses - Beginning of fiscal year	$ 944,997	$ 404,999	$ 1,349,996	$ 1,125,116	$ 482,193	$ 1,607,309
Incurred claims and claims adjustment expenses:						
Provision for insured events of the current fiscal year	873,097	374,184	1,247,281	602,522	258,223	860,745
Change in provision for insured events of prior fiscal years	(479,986)	(205,708)	(685,694)	(209,001)	(89,572)	(298,573)
Total incurred claims and claims adjustment expenses	393,111	168,476	561,587	393,521	168,651	562,172
Payments:						
Claims and claims adjustment expenses attributable to insured events of the current year	200,982	86,135	287,117	87,496	37,498	124,994
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	201,393	86,311	287,704	486,144	208,347	694,491
Total payments	402,375	172,446	574,821	573,640	245,845	819,485
Reserve for claims and claims adjustment expenses - End of year	**$ 935,733**	**$ 401,029**	**$ 1,336,762**	**$ 944,997**	**$ 404,999**	**$ 1,349,996**

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*

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

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 the Board of Trustees
Ohio Transit Risk Pool - Medina County

We have audited the basic financial statements of Ohio Transit Risk Pool - Medina County (OTRP) as of and for the year ended November 30, 2011 and have issued our report thereon dated May 25, 2012. 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 Control Over Financial Reporting

Management of OTRP is responsible for establishing and maintaining an effective internal control 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 opinion on the basic 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 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 OTRP's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Ohio Transit Risk Pool - Medina County

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified deficiencies in internal control over financial reporting, as discussed below, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Criteria - Accounting principles generally accepted in the United States of America require the following: (1) an accrual be recorded for compensated absences, including sick leave, when services are rendered by employees, the rights vest or accumulate, payment is probable and the amount can be reasonably estimated and (2) member deductibles related to claims paid be recorded in the period in which the claim was paid.

Condition - OTRP had not recorded an accrual for compensation absences related to sick leave. In addition, OTRP did not recorded member deductibles related to claims paid in 2011.

Context - OTRP calculated the sick leave earned by its employees and, during the audit process, an adjustment was made to record the accrual for compensated absences. OTRP billed its members for deductibles related to claims paid in 2011 in December 2011. An audit adjustment was made to reflect member deductibles in the proper fiscal year.

Cause and Effect - The current policy of OTRP is that all regular, full-time employees earn a predetermined number of hours of sick leave for every bi-weekly pay period completed. The maximum amount of sick leave that an employee can accumulate is six months. Upon separation from employment or retirement from OTRP, unused sick leave shall not be compensable in any form or fashion. It is OTRP's policy that all members are responsible for their deductibles.

Recommendation - OTRP should continue to review the current practice and policy for recording compensated absences and member deductibles. Management should continue calculating the accrual for sick leave annually and adjusting the liability if needed. In addition, management should consider recording member deductibles monthly to ensure they are recorded within the proper fiscal year.

Views of Responsible Officials and Planned Corrective Actions - It has been our position to date that the total amount of annual sick liability was immaterial to OTRP's financial statements. We now have posted this liability and have updated our policies and procedures to ensure this liability is properly recorded.

To the Board of Trustees
Ohio Transit Risk Pool - Medina County

Invoices were dated December 1, 2011 for deductibles due on claims paid during the 2011 fiscal year. As a result of being prepared one day after the fiscal year end, the deductibles were not recorded as a receivable in the proper fiscal year. All individual claim deductibles were properly allocated to the correct fiscal year in which the claim was paid, off-setting the claims liability within the individual fiscal year. OTRP's policies and procedures have been updated to ensure member deductibles are properly recorded as of year end.

Compliance and Other Matters

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

OTRP's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit OTRP's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees, the members, management, and Auditor of the State David Yost and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 25, 2012

Dave Yost • Auditor of State

OHIO TRANSIT RISK POOL

MEDINA 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
JULY 17, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us