

Ohio Transit Risk Pool - Medina County

**Financial Report
with Supplemental Information
November 30, 2014**



Dave Yost • Auditor of State

Board of Trustees
Ohio Transit Risk Pool
1 Park Centre 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, 2013 through November 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 23, 2015

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Ohio Transit Risk Pool - Medina County

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Statement of Net Position	11
Statement of Revenue, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14-27
Required Supplemental Information	28
Schedule of Claims Information for All Lines of Coverage	29-30
Schedule of Reconciliation of Net Reserves for Claims and Claims Adjustment Expenses by Type of Contract	31
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	32-33

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Transit Risk Pool - Medina County (OTRP) as of and for the years ended November 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise OTRP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Ohio Transit Risk Pool - Medina County as of November 30, 2014 and 2013 and the respective changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplemental Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ohio Transit Risk Pool - Medina County's internal control over financial reporting and compliance.

Plante & Morse, PLLC

May 21, 2015

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis

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, 2014. 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 statements of net position and revenue, expenses, and changes in net position 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 Position** - This statement presents information reflecting OTRP's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities.
- **Statement of Revenue, Expenses, and Changes in Net Position** - This statement reflects 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.

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

Financial Highlights

During 2014, OTRP's financial activities were highlighted by the following significant events:

- OTRP experienced negative claim development in both the 2012 and 2013 loss years. These claims impacted OTRP through a combination of increased frequency in larger claim payments and claim reserves above \$50,000. No single catastrophic loss was sustained. As of November 30, 2014, these two loss years hold 10 claims over \$50,000, four over \$100,000, and four over \$200,000. The claims are stated as incurred numbers which includes both paid amounts and current reserves. Overall, the number of open claims increased from 95 to 111 at fiscal year end. Total reserves have increased slightly from \$2,159,657 at November 30, 2013 to \$2,290,603 at November 30, 2014. The majority of the reserves remain in the 2012 and 2013 loss years. OTRP continues to implement in-house proactive claims adjustment efforts and the aggressive implementation of loss control strategies contained in OTRP's risk management program.
- During 2014, the OTRP board issued two special assessments in conjunction with loss years (18) 2012 and (19) 2013 to ensure that the loss years remain well funded. Additionally, a small special assessment was issued for loss year (12) 2006 for a single claim liability in a closed loss year.
- OTRP carried a fully funded "Shock Loss Fund." Under OTRP board policy, members are required to fund one-time their annual contribution. During 2012, the board amended the policy to allow members to fund up to three times their annual contribution. This action was due to further analysis of target surplus required to provide solid financial stability. 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 full funding of the Shock Loss Fund, OTRP continued to self-insure the first \$1,000,000 for each liability occurrence, and did not purchase 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.

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

- During 2014, OTRP reviewed all staff positions and made adjustments to salary ranges and job descriptions. Additional positions were created within the structure of the organization, but no additional staff was added during 2014.
- 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.
- As of fiscal year end 2013 and 2014, all members participate in all lines of coverage.
- As of November 30, 2014, OTRP held member receivables of \$155,921. The portion of the total member receivables related to deductibles at November 30, 2014 was \$4,420.
- During 2014, distributions to members in the form of interest earned on the Shock Loss Fund were made totaling \$103,877. Also during 2014, additional returns were made from the Shock Loss Fund in the amount of \$12,088. The additional funds represent distributions utilized for OTRP members' special assessment liabilities.
- During 2014, three additional distributions to members were made. They were based on the closure of Loss Year (15) 2009 and a partial closure of Loss Year (14) 2008. A small return was made for Loss Year (10) 2004 based on a collection. This brings the total (for all years) members' equity return to \$11,388,421.

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

Condensed Financial Information

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

	November 30			2014/2013 Increase (Decrease)
	2014	2013	2012	
Condensed Statement of Net Position				
Current Assets				
Cash and cash equivalents and short-term investments	\$ 1,973,049	\$ 1,555,954	\$ 2,614,097	\$ 417,095
Other assets	178,738	104,519	85,438	74,219
Total current assets	2,151,787	1,660,473	2,699,535	491,314
Long-term assets:				
Investments	6,488,632	6,770,784	5,804,704	(282,152)
Capital assets - Net of depreciation	38,300	25,390	31,865	12,910
Total assets	8,678,719	8,456,647	8,536,104	222,072
Liabilities				
Current	2,159,781	1,895,025	1,683,333	264,756
Long term	2,331,076	2,271,150	1,579,351	59,926
Total liabilities	4,490,857	4,166,175	3,262,684	324,682
Net Position				
Invested in capital assets	38,300	25,390	31,865	12,910
Unrestricted	4,149,562	4,265,082	5,241,555	(115,520)
Total net position	<u>\$ 4,187,862</u>	<u>\$ 4,290,472</u>	<u>\$ 5,273,420</u>	<u>\$ (102,610)</u>

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

	Year Ended November 30			2014/2013 Increase (Decrease)
	2014	2013	2012	
Condensed Statement of Changes in Net Position				
Changes in Net Position				
Total operating revenue	\$ 3,119,590	\$ 2,392,413	\$ 2,326,551	\$ 727,177
Operating expenses:				
Claims and claims adjustment expenses	(1,245,649)	(2,488,764)	(608,414)	1,243,115
Administrative expenses	(911,484)	(862,232)	(785,102)	(49,252)
Total operating expenses	<u>(2,157,133)</u>	<u>(3,350,996)</u>	<u>(1,393,516)</u>	<u>1,193,863</u>
Operating Income (Loss)	962,457	(958,583)	933,035	1,921,040
Nonoperating Expenses				
Investment earnings and realized and unrealized gains and losses on investments	150,328	45,142	163,077	105,186
Loss on disposal of fixed assets	(4,693)	-	(5,422)	(4,693)
Distributions to members	<u>(1,210,702)</u>	<u>(69,507)</u>	<u>(805,083)</u>	<u>(1,141,195)</u>
Total nonoperating expenses	<u>(1,065,067)</u>	<u>(24,365)</u>	<u>(647,428)</u>	<u>(1,040,702)</u>
(Decrease) Increase in Net Position	<u>\$ (102,610)</u>	<u>\$ (982,948)</u>	<u>\$ 285,607</u>	<u>\$ 880,338</u>

In addition to net position, 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 \$491,314 while long-term assets increased by \$222,072 between 2014 and 2013. These changes were a combination of building of additional cash within the investment portfolio for claim payments and reduction of claims reserves as well as receipt of members' funds.
- OTRP's capital assets, net of depreciation, increased from 2013 by \$12,910. This is due to the purchase of a new vehicle with an offset for ordinary depreciation of OTRP capital assets.
- OTRP's liabilities increased from 2013 by \$324,682. The increase was primarily related to an increase in actuarial claims reserve which trended with the negative claims development combined with other nominal increases of current liabilities at year end. There were no liabilities in the current year for prepayments related to (LY21) 2015.

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

- The difference between assets and liabilities, or “net position,” decreased from 2013 by \$102,610. This was impacted by continued growth in the investment accounts.
- OTRP operating expenses were negatively impacted by claims and claims adjustment expenses and depreciation.
- Total OTRP revenue (net of reinsurance/excess insurance premiums) increased to \$3,119,590 in 2014 from \$2,392,413 in 2013. Although there was a negligible increase in members’ contributions under the regular budgetary process, the special assessments issued in conjunction with the amount contributed to the Shock Loss Fund impacted the increase in revenue.

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.

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

Budgetary Highlights

OTRP adopts an annual operating budget for the current fiscal 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 Versus Actual - Positive (Negative)
Operating Revenue			
Membership contributions	\$ 3,433,068	\$ 4,548,271	\$ 1,115,203
Other operating revenue	24,350	36,089	11,739
Less reinsurance/excess insurance premiums	<u>(1,432,132)</u>	<u>(1,464,770)</u>	<u>(32,638)</u>
Total operating income	2,025,286	3,119,590	1,094,304
Operating Expenses			
Claims and claims adjustment expenses	(1,201,855)	(1,245,649)	(43,794)
Professional fees and other	(223,405)	(214,756)	8,649
Pool operations	(143,689)	(135,972)	7,717
Salaries and employee benefits	(556,337)	(551,765)	4,572
Depreciation	<u>-</u>	<u>(8,991)</u>	<u>(8,991)</u>
Total operating expenses	<u>(2,125,286)</u>	<u>(2,157,133)</u>	<u>(31,847)</u>
Nonoperating Income (Expenses)			
Net investment income	100,000	150,328	50,328
Loss on sale of capital asset	-	(4,693)	(4,693)
Distribution to members	<u>-</u>	<u>(1,210,702)</u>	<u>(1,210,702)</u>
Total nonoperating income (expense)	<u>100,000</u>	<u>(1,065,067)</u>	<u>(1,165,067)</u>
Change in Net Position	<u>\$ -</u>	<u>\$ (102,610)</u>	<u>\$ (102,610)</u>

Ohio Transit Risk Pool - Medina County

Management's Discussion and Analysis (Continued)

The following is an explanation of the significant variances of the budget to actual for 2014:

- Member contributions were higher than budgeted due to the fact that membership contributions includes contributions related to the Shock Loss Fund and Special Assessments which were not included in the annual budget. Shock Loss Fund contributions recognized in 2014 totaled \$674,596.
- Claims and claims adjustment expenses were higher than expected due to adverse development of reported claims coupled with an increase in reserves for claims incurred and claims incurred but not reported. Additional impact was felt due to the final depreciation of the corporate vehicle.
- Sick leave liability increased by \$13,809 in 2014 and totals \$87,615. This increase has been recorded as salary and employee benefits expense. Without considering this increase in the liability, salary and employee benefits expense is \$537,956 or 3 percent under budget.
- Capital losses and gains (realized or unrealized) are not budgeted for within the OTRP program. OTRP recognized \$21,815 in realized/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.

Ohio Transit Risk Pool - Medina County

Statement of Net Position

	November 30, 2014	November 30, 2013
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 532,914	\$ 644,068
Investments - Fixed income (Note 2)	1,440,135	911,886
Accounts receivable - Members	155,921	92,824
Prepaid expenses	22,817	11,695
Total current assets	2,151,787	1,660,473
Noncurrent assets:		
Investments (Note 2)	6,488,632	6,770,784
Capital assets - Net of depreciation (Note 3)	38,300	25,390
Total noncurrent assets	6,526,932	6,796,174
Total assets	8,678,719	8,456,647
Liabilities - Current		
Accounts payable	\$ 7,131	\$ 3,991
Current portion of reserves for claims (Note 4)	783,000	632,000
Accrued compensation	101,331	84,838
Members' payable	819,169	857,329
Current portion of unearned contributions	449,150	316,867
Total current liabilities	2,159,781	1,895,025
Noncurrent liabilities:		
Reserves for claims - Net of current portion (Note 4)	1,507,603	1,527,657
Unearned contributions - Net of current portion	823,473	743,493
Total noncurrent liabilities	2,331,076	2,271,150
Total liabilities	4,490,857	4,166,175
Equity - Net position		
Net investment in capital assets	38,300	25,390
Unrestricted	4,149,562	4,265,082
Total net position	\$ 4,187,862	\$ 4,290,472

Ohio Transit Risk Pool - Medina County

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2014	2013
Operating Revenue		
Member contributions	\$ 4,548,271	\$ 3,820,470
Less reinsurance premiums expense	(1,464,770)	(1,462,971)
Other operating income	36,089	34,914
Total operating revenue	3,119,590	2,392,413
Operating Expenses		
Provision for claims (Note 4):		
Paid	1,114,703	1,506,308
Change in reserve for claims	130,946	982,456
Total claims	1,245,649	2,488,764
Salaries and employee benefits	551,765	521,917
Professional fees and other	214,756	202,140
Pool operations	135,972	128,148
Depreciation	8,991	10,027
Total operating expenses	2,157,133	3,350,996
Operating Income (Loss)	962,457	(958,583)
Nonoperating Revenue (Expenses)		
Interest and dividend income	210,982	216,520
Realized and unrealized loss on investments	(60,654)	(171,378)
Distribution to members	(1,210,702)	(69,507)
Loss on disposal of capital assets	(4,693)	-
Total nonoperating expenses	(1,065,067)	(24,365)
Change in Net Position	(102,610)	(982,948)
Net Position - Beginning of year	4,290,472	5,273,420
Net Position - End of year	\$ 4,187,862	\$ 4,290,472

Ohio Transit Risk Pool - Medina County

Statement of Cash Flows

	Year Ended December 31	
	2014	2013
Cash Flows from Operating Activities		
Cash received from members	\$ 4,588,686	\$ 4,007,167
Cash paid for claims	(1,114,703)	(1,506,308)
Cash paid for reinsurance premiums	(1,464,770)	(1,462,971)
Cash paid for administrative and general expenses	(744,449)	(837,940)
Net cash provided by operating activities	1,264,764	199,948
Cash Flows from Capital and Related Financing Activities -		
Distributions to members	(1,248,862)	(333,601)
Cash Flows from Investing Activities		
Investment income received	210,982	216,520
Purchase of capital assets	(26,594)	(3,552)
Purchase of investments	(1,313,401)	(2,016,696)
Proceeds from sales and maturities of investments	1,001,957	1,700,000
Net cash used in investing activities	(127,056)	(103,728)
Net Decrease in Cash and Cash Equivalents	(111,154)	(237,381)
Cash and Cash Equivalents - Beginning of year	644,068	881,449
Cash and Cash Equivalents - End of year	\$ 532,914	\$ 644,068

A reconciliation of operating income (loss) to net cash provided by operating activities is as follows:

Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 962,457	\$ (958,583)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	8,991	10,027
Loss on disposal of capital asset	4,693	-
Changes in assets and liabilities:		
Accounts receivable	(63,097)	(20,976)
Prepaid expenses	(11,122)	1,895
Accounts payable	3,140	(19,157)
Unearned contributions	212,263	207,673
Accrued wages and payroll taxes	16,493	(3,387)
Reserve for claims	130,946	982,456
Net cash provided by operating activities	\$ 1,264,764	\$ 199,948

There were no noncash transactions in 2014 and 2013.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note I - Nature of Business and Significant Accounting Policies

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 for 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, 2013 include the following Ohio Political Subdivision Transits: Allen County Regional Transit Authority (ACRTA), Laketrans, 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 bylaws and no longer offers an associate membership; rather, it offers a voting or nonvoting membership. OTRP currently does not have any nonvoting members. As of fiscal year end 2014, 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.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note I - 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. There is a board approved policy allowing members to fund the SLF in an amount up to 300 percent of the required contribution.

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.

The accounting policies of OTRP conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The accompanying financial statements are presented using the accrual method of accounting.

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 and any gains or losses that result from the sale of capital assets 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, long-term certificates of deposit, state and local municipal bonds, 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 position. The board of trustees has established investment policies with the fundamental objectives of preserving capital in the investment portfolio, remaining sufficiently liquid to enable OTRP to meet its cash flow requirements, and attaining a market rate of return on the investments' consistent prudent investment practices and within the risk limitations provided for in OTRP's cash and investment policy.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note I - 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.

Reserve for Unpaid 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 allocated and unallocated loss adjustment expenses. Reserves are net of actual and anticipated member deductibles as well as 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.

Capital Assets - Capital 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.

Unearned Contributions - Unearned contributions represent contributions from members in excess of the required contribution to the SLF that will be recognized as revenue over the periods for which coverage is expected to be provided.

Net Position - Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, invested in capital assets, or 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 position may be returned to members in the form of dividends. In 2014 and 2013, the board declared dividends totaling \$1,210,702 and \$69,507, respectively.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

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 2014 loss year, for auto physical damage, TARTA, Metro RTA, and Laketran carried a \$25,000 deductible; SARTA carried a \$5,000 deductible; and all other members carried a \$1,000 deductible. 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 2014 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.

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

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

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

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 contribution deficiency exists.

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 on September 21, 2012. The policy is ratified annually and is updated as needed. 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, interest-bearing certificates of deposit, STAR-Ohio or other successor investment pools operated or managed by the Treasurer of the State of Ohio, money market funds, state and local municipal bonds, 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. Rochdale National (f/k/a 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 \$532,914 and 644,068 at November 30, 2014 and 2013, respectively. At November 30, 2014 and 2013, long-term certificates of deposit totaling \$777,362 and \$781,117, respectively, are included in investments.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

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. At November 30, 2014, OTRP had \$155,770 in bank deposits that were uninsured and uncollateralized.

Investments - Investments are reported at fair value. At November 30, 2014 and 2013, OTRP had the following investments:

	Fair Value	
	2014	2013
U.S. Treasury securities	\$ 350,896	\$ 551,907
U.S. agencies and pass-throughs	301,827	253,388
State and local municipal bonds	935,766	938,348
Long-term certificates of deposit	777,362	781,117
Corporate bonds	5,562,916	5,157,910
Total investments	<u>\$ 7,928,767</u>	<u>\$ 7,682,670</u>

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, 2014 and 2013, 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.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 2 - Deposits and Investments (Continued)

At November 30, 2014, OTRP had the following investments subject to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 350,896	2.98
U.S. agencies and pass-throughs	301,827	3.93
State and local municipal bonds	935,766	1.83
Corporate bonds	<u>5,562,916</u>	4.80
Total	<u>\$ 7,151,405</u>	

At November 30, 2013, OTRP had the following investments subject to interest rate risk:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 551,907	2.14
U.S. agencies and pass-throughs	253,388	3.45
State and local municipal bonds	938,348	2.82
Corporate bonds	<u>5,157,910</u>	3.25
Total	<u>\$ 6,901,553</u>	

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 2 - Deposits and Investments (Continued)

At November 30, 2014, the credit quality ratings of fixed-income securities by type (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
U.S. agencies and pass-throughs	\$ 301,827	AAA	S&P
State and local municipal bonds	\$ 573,590	AA	S&P
	206,840	AA-	S&P
	<u>155,336</u>	A+	S&P
Total	<u>\$ 935,766</u>		
Corporate bonds	\$ 248,695	AAA	S&P
	942,048	AA+	S&P
	1,253,190	AA	S&P
	879,152	AA-	S&P
	2,134,001	A+	S&P
	<u>105,830</u>	A	S&P
Total	<u>\$ 5,562,916</u>		

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

At November 30, 2013, the credit quality ratings of fixed-income securities by type (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
U.S. agencies and pass-throughs	\$ 253,388	AAA	S&P
State and local municipal bonds	\$ 573,535	AA	S&P
	208,154	AA-	S&P
	<u>156,659</u>	A+	S&P
Total	<u>\$ 938,348</u>		
Corporate bonds	\$ 249,815	AAA	S&P
	833,746	AA+	S&P
	1,133,269	AA	S&P
	612,053	AA-	S&P
	2,219,001	A+	S&P
	<u>110,026</u>	A	S&P
Total	<u>\$ 5,157,910</u>		

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 2 - Deposits and Investments (Continued)

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, 2014 and 2013.

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 - Capital Assets

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

	<u>2014</u>	<u>2013</u>
Transportation equipment	\$ 39,594	\$ 28,967
Computer equipment and software	45,912	45,912
Total cost	85,506	74,879
Less accumulated depreciation	<u>47,206</u>	<u>49,489</u>
Net carrying amount	<u>\$ 38,300</u>	<u>\$ 25,390</u>

Total depreciation expense was \$8,991 and \$10,027 for November 30, 2014 and 2013, respectively.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 4 - Reserve for Unpaid Claims and Claim Adjustment Expenses

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, 2014, 2013, and 2012 is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Reserves for Unpaid Claims and Claim			
Adjustment Expenses - Beginning of year	\$ 2,159,657	\$ 1,177,201	\$ 1,336,762
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	1,277,737	2,167,716	1,204,024
Change in provision for claims incurred in prior years	<u>(32,088)</u>	<u>321,048</u>	<u>(595,610)</u>
Total incurred claims and claim adjustment expenses	1,245,649	2,488,764	608,414
Payments			
Claims and claim adjustment expenses paid for claims incurred in current year	412,022	588,443	412,826
Claims and claim adjustment expenses paid for claims incurred in prior years	<u>702,681</u>	<u>917,865</u>	<u>355,149</u>
Total payments	<u>1,114,703</u>	<u>1,506,308</u>	<u>767,975</u>
Reserves for Unpaid Claims and Claims			
Adjustment Expenses - End of year	<u>\$ 2,290,603</u>	<u>\$ 2,159,657</u>	<u>\$ 1,177,201</u>

The provision for incurred prior year claims changed due primarily to claims settling for amounts different than originally estimated.

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 2014 and 2013, 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.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 6 - Reinsurance Agreements

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, 2014, 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.

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.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

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, 2014 and 2013 totaled \$819,169 and \$857,329, respectively.

Note 8 - Line of Credit

OTRP has a secured line of credit with JPMorgan Chase Bank with a maximum availability of \$700,000, expiring July 15, 2015. Borrowings under the line of credit bear interest at the adjusted LIBOR (the "note rate") and at the rate of 3.0 percent per annum above the note rate (an effective rate of 10.1528 percent at November 30, 2014). OTRP had no amounts outstanding under the line of credit at November 30, 2014 or 2013. 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 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. During October 2014, the letter was amended to extend the original date of expiration to October 11, 2015. At November 30, 2014 and 2013, VT BISHCA had not drawn on the letter of credit and no obligations are outstanding.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 10 - Operating Lease

OTRP leases office space under an operating lease expiring on November 30, 2014. Total rent expense under this lease was \$26,789 for the years ended November 30, 2014 and 2013.

During November 2014, OTRP renewed its operating lease, effective December 1, 2014, with future minimum annual commitments as follows:

Years Ending November 30	Amount
2015	\$ 26,789
2016	26,789
2017	26,789
2018	26,789
2019	26,789
2020	26,789
Total	<u>\$ 160,374</u>

Note 11 - Employee Benefit Plans

OTRP contributes to the Ohio Public Employees' Retirement System (OPERS). OPERS administers three separate pension plans: the traditional pension plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan (MD) - a defined contribution plan; and the combined plan (CO) - a cost-sharing, multiple-employer, defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor, and death benefits to qualifying members of both the traditional and the combined plans; however, healthcare benefits are not statutorily guaranteed. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare coverage. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS board of trustees.

Total required employer contributions made were \$50,200 in 2014 and \$48,938 in 2013. Employer contributions represented 14.0 percent of covered payroll in 2014 and 2013. Employee contributions were \$38,300 in 2014 and \$37,000 in 2013, representing 10.0 percent of covered payroll in 2014 and 2013, and were consistent across all three plans (TP, MD, and CO) and are actuarially determined.

All employees of OTRP are covered under OPERS. Payroll for employees covered by OPERS for the years ended November 30, 2014 and 2013 was approximately \$395,000 and \$370,000, respectively.

Ohio Transit Risk Pool - Medina County

Notes to Financial Statements November 30, 2014 and 2013

Note 11 - Employee Benefit Plans (Continued)

In addition to the pension benefits described above, OPERS provides postretirement healthcare coverage to members as specified under the OPERS guidelines. The Ohio Revised Code provides statutory authority for employer contributions.

The portion of employer contributions allocated to health care for members in the traditional plan was 2.0 and 1.0 percent for 2014 and 2013, respectively.

Note 12 - Upcoming Accounting Pronouncement

GASB Statement No. 68, *Accounting and Financial Report for Pensions*, was issued by the GASB in June 2012 and will be effective for OTRP's 2014-2015 fiscal year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). OTRP is currently evaluating the impact this standard will have on the financial statements when adopted.

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued by the GASB in February 2015 and will be effective for OTRP's 2015-2016 fiscal year. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. OTRP is currently evaluating the impact that this standard will have on the financial statements when adopted.

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Required Supplemental Information

Ohio Transit Risk Pool - Medina County

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

The table on the following page illustrates how OTRP's earned revenue (net of excess insurance) 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 columns of the table show data for successive policy years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of OTRP, including overhead and claims expense not allocable to individual claims.
3. This line shows OTRP's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, 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 excess insurers as of the end of the current year for each accident year.
6. This section of 10 rows shows how each policy year's net incurred 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.

Ohio Transit Risk Pool - Medina County

Required Supplemental Information Schedule of Claims Information for All Lines of Coverage (Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Required contributions and investment income:										
Earned	\$ 5,584,890	\$ 5,340,851	\$ 3,755,581	\$ 3,280,526	\$ 3,435,084	\$ 3,998,316	\$ 3,632,230	\$ 3,944,369	\$ 3,900,526	\$ 4,734,688
Ceded	1,601,732	1,875,020	1,363,138	1,858,024	1,783,817	1,745,458	1,342,127	1,488,322	1,462,971	1,464,770
Net	3,983,158	3,465,831	2,392,443	1,422,502	1,651,267	2,252,858	2,290,103	2,456,047	2,437,555	3,269,918
2. Expenses other than allocated claim adjustment expenses	712,225	772,512	670,451	834,463	757,876	743,149	803,152	785,102	862,232	911,484
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	3,160,092	2,887,651	1,938,124	716,677	1,021,592	860,745	1,247,281	1,204,024	2,167,716	1,277,737
Ceded	-	75,000	-	-	10,000	-	-	-	-	-
Net	3,160,092	2,812,651	1,938,124	716,677	1,011,592	860,745	1,247,281	1,204,024	2,167,716	1,277,737
4. Cumulative paid claims and allocated claim adjustment expenses										
End of policy year	165,116	639,957	97,779	108,319	350,020	124,994	287,117	412,826	588,443	412,022
One year later	438,611	767,757	370,271	156,054	501,544	240,902	501,161	1,091,436	999,438	-
Two years later	763,880	1,758,075	721,330	318,242	552,938	278,524	660,798	1,314,138	-	-
Three years later	929,659	1,832,759	806,760	381,776	634,709	343,627	728,632	-	-	-
Four years later	932,962	2,131,313	807,530	439,670	642,244	344,145	-	-	-	-
Five years later	929,659	2,140,340	807,521	441,389	642,244	-	-	-	-	-
Six years later	931,336	2,142,063	807,521	443,609	-	-	-	-	-	-
Seven years later	931,337	2,154,244	807,521	44,189	-	-	-	-	-	-
Eight years later	931,337	2,154,244	-	-	-	-	-	-	-	-
Nine years later	931,337	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	-	50,000	-	-	6,900	-	-	-	-	-
6. Re-estimated incurred claims and allocated claim adjustment expenses										
End of policy year	3,160,092	2,812,651	1,938,124	716,677	1,011,592	860,745	1,247,281	1,204,024	2,167,716	1,277,737
One year later	2,581,480	2,401,781	1,801,015	533,215	773,806	450,340	768,635	1,508,914	2,143,152	-
Two years later	1,412,820	2,361,415	1,002,020	477,865	643,609	376,839	813,024	1,558,504	-	-
Three years later	1,015,332	2,029,341	878,276	457,800	640,544	345,452	763,730	-	-	-
Four years later	987,411	2,194,134	807,521	442,800	642,244	344,145	-	-	-	-
Five years later	979,051	2,140,340	807,521	450,244	642,244	-	-	-	-	-
Six years later	931,336	2,153,312	807,521	443,609	-	-	-	-	-	-
Seven years later	931,337	2,154,244	807,521	-	-	-	-	-	-	-
Eight years later	931,337	2,154,244	-	-	-	-	-	-	-	-
Nine years later	931,337	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	(2,228,755)	(658,407)	(1,130,603)	(273,068)	(369,348)	(516,600)	(483,551)	354,480	(24,564)	-

Ohio Transit Risk Pool - Medina County

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

	Fiscal and Policy Years Ending November 30								
	2014			2013			2012		
	Casualty	Property	Total	Casualty	Property	Total	Casualty	Property	Total
Reserve for unpaid claims and claims adjustment expenses - Beginning of fiscal year	\$ 1,859,891	\$ 299,766	\$ 2,159,657	\$ 780,165	\$ 397,036	\$ 1,177,201	\$ 935,733	\$ 401,029	\$ 1,336,762
Incurred claims and claims adjustment expenses:									
Provision for insured events of the current fiscal year	1,018,948	258,789	1,277,737	2,153,836	13,880	2,167,716	1,087,739	116,285	1,204,024
Change in provision for insured events of prior fiscal years	79,043	(111,131)	(32,088)	320,925	123	321,048	(601,007)	5,397	(595,610)
Total incurred claims and claims adjustment expenses	1,097,991	147,658	1,245,649	2,474,761	14,003	2,488,764	486,732	121,682	608,414
Payments:									
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	265,732	146,290	412,022	484,268	104,175	588,443	307,665	105,161	412,826
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	701,313	1,368	702,681	910,767	7,098	917,865	334,635	20,514	355,149
Total payments	967,045	147,658	1,114,703	1,395,035	111,273	1,506,308	642,300	125,675	767,975
Reserve for claims and claims adjustment expenses - End of fiscal year	<u>\$ 1,990,837</u>	<u>\$ 299,766</u>	<u>\$ 2,290,603</u>	<u>\$ 1,859,891</u>	<u>\$ 299,766</u>	<u>\$ 2,159,657</u>	<u>\$ 780,165</u>	<u>\$ 397,036</u>	<u>\$ 1,177,201</u>

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Ohio Transit Risk Pool - Medina County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Ohio Transit Risk Pool - Medina County (OTRP), which comprise the statement of net position as of November 30, 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated May 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ohio Transit Risk Pool - Medina County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OTRP's internal control. Accordingly, we do not express an opinion on the effectiveness of OTRP's internal control.

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

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

To Management and the Board of Directors
Ohio Transit Risk Pool - Medina County

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Morse, PLLC

May 21, 2015



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 7, 2015**