

Ohio Transit Risk Pool

SUMMIT COUNTY, OHIO

AUDIT REPORT

**For the Year Ended November 30, 2009
(With Comparative Totals for November 30, 2008)**

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board Members
Ohio Transit Risk Pool
34 Merz Boulevard, Suite D
Fairlawn, Ohio 44333

We have reviewed the *Report of Independent Accountants* of the Ohio Transit Risk Pool, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2008 through November 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 2, 2010

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OHIO TRANSIT RISK POOL
SUMMIT COUNTY, OHIO
Audit Report
For the Year Ended November 30, 2009

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the financial statements of the Ohio Transit Risk Pool (OTRP), Summit County as of and for the year ended November 30, 2009, as listed in the table of contents. These financial statements are the responsibility of OTRP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the 2008 financial statements and, in our report dated May 18, 2009, we have an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Transit Risk Pool, Summit County, as of November 30, 2009, and the results of its operations and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2010, on our consideration of the OTRP internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Required Supplementary Information (pages 18-19) are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements of the Ohio Transit Risk Pool, Summit County. The accompanying information listed as required supplemental information in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
May 11, 2010

OHIO TRANSIT RISK POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2009
UNAUDITED

The management of the Ohio Transit Risk Pool (OTRP) offers this narrative overview and analysis of the financial activities of OTRP for the fiscal year ended November 30, 2009. Readers are encouraged to consider the information presented here in conjunction with OTRP's financial statements and accompanying notes to enhance their understanding of OTRP's financial performance.

Financial Highlights

During 2009 OTRP's financial activities were highlighted by the following significant events:

- Stabilized the number of open claims and lawsuits at fiscal year end from 106 to 100 and reduced the corresponding case reserves from \$2,766,280 at November 30, 2008 to \$1,607,309 at November 30, 2009. This was accomplished through a combination of proactive claims adjustment efforts and the aggressive continuation implementation of loss control strategies contained in OTRP's Safety Performance Audit (SPA) program.
- Purchased stand-alone Hardware and Software for Claims and Risk Management allowing for autonomy for IT Services. The project was funded by a special assessment approved by the Board of Trustees.
- Continued the purchase of "buy-down" liability reinsurance placement of 75% of \$900,000 in coverage excess of a \$100,000 pooled self-insured retention (per occurrence) to stabilize losses and reduce the potential for future special assessments. OTRP, beginning in 2008, retained the first \$100,000 of each loss plus 25% of the next \$900,000 in losses, effectively reducing the pool's SIR from \$1,000,000 per occurrence on a "limits loss" to just \$325,000 per occurrence.
- Purchased an excess insurance policy to cover per occurrences losses in excess of \$5,000,000 with limits of \$5,000,000. This coverage replaced the facultative reinsurance purchased in prior years and increased OTRP's limits to \$10,000,000 per occurrence.
- Offered members flexible liability deductible options tailored to their individual needs, ranging from \$1,000 per occurrence to \$500,000 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 (Akron) selected a \$5,000 per occurrence liability deductible, while TARTA (Toledo) selected a \$500,000 per occurrence liability deductible for Loss Year 15 (2009).
- Approved a new Board of Trustees Credit Card Policy which helps contain costs and prevent fraud.
- Approved a new Board of Trustees Fixed Asset Policy which clearly defines the handling of all fixed assets and states a new \$1,000 minimum purchase price for stated fixed assets.

OHIO TRANSIT RISK POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2009
UNAUDITED

Overview of the Financial Statements

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

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

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

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

The Statements of Cash Flows present cash provided and used by OTRP categorized by operating activities, investing activities and (when applicable) financing activities. It reconciles the beginning and year ended cash balances presented on the Statements of Net Assets.

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

In addition to the financial statements and accompanying notes, supplementary information is presented in a separate section illustrating OTRP's reconciliation of claims liability by coverage line for the years ended November 30, 2009, 2008 and 2007. In addition, revenue and claims development information is presented in accordance with GASB #10, as amended by GASB #30.

OHIO TRANSIT RISK POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2009
UNAUDITED

Financial Analysis – Statements of Net Assets

The following table presents the summarized financial position of OTRP for the fiscal years ended November 30, 2009, 2008, and 2007:

	2009	2008	2007	2009/2008 Increase/(Decrease)
Assets:				
Current Assets	\$ 9,062,053	\$ 8,856,017	\$ 10,869,913	\$ 206,036
Fixed Assets, Net	90,880	25,284	32,408	65,596
<i>Total Assets</i>	<u>9,152,933</u>	<u>8,881,301</u>	<u>10,902,321</u>	<u>271,632</u>
Liabilities:				
Claims Reserve	1,607,309	2,766,280	4,175,868	(1,158,971)
Accounts Payable	6,725	121,677	91,452	(114,952)
Other Payables	-	10,196	-	(10,196)
Accrued Wages	4,519	5,727	-	(1,208)
Accrued Payroll Taxes	7,979	1,947	-	6,032
Accrued Expenses	-	6,014	6,336	(6,014)
Members Payable	2,246,908	866,609	883,564	1,380,299
<i>Total Liabilities</i>	<u>3,873,440</u>	<u>3,778,450</u>	<u>5,157,220</u>	<u>94,990</u>
Net Assets:	<u>\$ 5,279,493</u>	<u>\$ 5,102,851</u>	<u>\$ 5,745,101</u>	<u>\$ 176,642</u>

Current assets increased by \$206,036 between 2009 and 2008. This increase was a combination of cash decreases and investment increases due to investing more of our cash and an increase in accounts receivable due to recording of unbilled member receivables.

OTRP's fixed assets, net, increased from 2008 by \$65,596 due to the purchase of the new stand-alone risk management software, hardware and other information technology assets that were purchased during the year. Disposal of certain outdated computer items was also recorded in 2009.

OTRP's liabilities increased by \$94,990 from 2008. A factor impacting OTRP's claims reserve liabilities was OTRP's election to purchase "buy down" coverage on its liability self-insured retention beginning December 1, 2007. As explained elsewhere in this report, OTRP is only obligated to pay 25% of its liability losses in excess of \$100,000 up to \$1,000,000 per occurrence. OTRP's actuary has, therefore, reduced in corresponding fashion in its incurred but not reported (IBNR) and loss development for claims over \$100,000 per occurrence, on a forward-going basis. This reduced the claims reserves by over \$1,100,000.

The difference between assets and liabilities, or "Net Assets," increased \$176,642 from 2008 to 2009. This represents the profit of the organization.

OHIO TRANSIT RISK POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2009
UNAUDITED

Financial Analysis – Statements of Changes in Net Assets

The following table presents the summarized results of operations for the fiscal years ended November 30, 2009, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

	2009	2008	2007	2009/2008 Increase/(Decrease)
Revenue:				
Member contributions	\$ 3,435,084	\$ 3,280,526	\$ 3,721,807	\$ 154,558
Reinsurance/excess insurance premiums	(1,204,817)	(1,258,024)	(1,480,522)	53,207
Member reimbursements	215,146	80,776	93,337	134,370
Interest income	335,359	339,943	452,885	(4,584)
Other income	16,778	25,479	31,342	(8,701)
Realized gain on sale of asset	4,611	-	-	4,611
Realized gain on investments	7,519	37,131	-	(29,612)
Unrealized gain/(loss on investments)	139,318	(92,566)	-	231,884
Total Revenues	2,948,998	2,413,265	2,818,849	535,733
Expenses:				
Net incurred claims and allocated claim adjustments	1,435,480	1,621,052	(244,361)	(185,572)
Member Reduction Special Assessment	-	-	213,425	-
Professional fees and other	142,107	221,749	206,081	(79,642)
Pool operations	155,487	112,641	-	42,846
Buydown of self insurance retention	579,000	600,000	-	(21,000)
Other operating expenses	-	20,374	-	(20,374)
Salaries and employee benefits	434,584	455,686	426,954	(21,102)
Depreciation	25,698	24,013	18,708	1,685
Total Expenses	2,772,356	3,055,515	620,807	(283,159)
Change in net assets	\$ 176,642	\$ (642,250)	\$ 2,198,042	\$ 818,892

Total OTRP revenues (net of reinsurance/excess insurance premiums) increased to over \$2,900,000 in 2009 from over \$2,400,000 in 2008. This was primarily due to the fact that OTRP's member reimbursements were approximately \$134,000 more than prior year and member contributions were approximately \$154,000 more than in 2008 and an increase in unrealized gains on investments of approximately \$232,000.

OHIO TRANSIT RISK POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2009
UNAUDITED

Total OTRP expenses were most greatly impacted by favorable incurred claims expense reduction of \$185,000 partially due to the purchase of "buy down" coverage for the years ended November 30, 2009 and 2008. Essentially, this purchase will serve to convert a variable claims cost which swung dramatically from year-to-year into a fixed cost, allowing OTRP to avoid the need for special assessments in the future for this loss year.

Request for Information

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
STATEMENT OF NET ASSETS
NOVEMBER 30, 2009 AND 2008**

	2009	2008
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 1,457,395	\$ 2,057,067
Investments	6,815,607	6,354,699
Member Receivables	760,476	332,269
Accounts Receivable - Other	19,486	70,366
Prepaid Expenses	9,089	41,616
TOTAL CURRENT ASSETS	9,062,053	8,856,017
FIXED ASSETS, NET		
Automobile, computer equipment and software, net of accumulated depreciation	90,880	25,284
TOTAL ASSETS	\$ 9,152,933	\$ 8,881,301
<u>CURRENT LIABILITIES</u>		
Claims Reserve	\$ 1,607,309	\$ 2,766,280
Accounts Payable	6,725	121,677
Other Payables	-	10,196
Accrued Wages	4,519	5,727
Accrued Payroll Taxes	7,979	1,947
Accrued Expenses	-	6,014
Members Payable	2,246,908	866,609
TOTAL CURRENT LIABILITIES	3,873,440	3,778,450
NET ASSETS - Unrestricted	5,279,493	5,102,851
TOTAL LIABILITIES AND NET ASSETS	\$ 9,152,933	\$ 8,881,301

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008**

	2009	2008
<u>OPERATING REVENUES:</u>		
Membership Contributions	\$ 3,435,084	\$ 3,280,526
Reinsurance/Excess Insurance Premiums	(1,204,817)	(1,258,024)
Member Reimbursements	215,146	80,776
Other Operating Income	16,778	25,479
TOTAL OPERATING REVENUES	2,462,191	2,128,757
<u>OPERATING EXPENSES:</u>		
Net incurred Claims and Allocated Claim Adjustment Expenses (All Years)	1,435,480	1,621,052
Professional Fees and Other	142,107	221,749
Pool Operations	155,487	112,641
Salaries and Employee Benefits	434,584	455,686
Buy Down of Self Insurance Retention	579,000	600,000
Other Operating Expenses	-	20,374
Depreciation	25,698	24,013
TOTAL OPERATING EXPENSES	2,772,356	3,055,515
Operating Income/(Loss)	(310,165)	(926,758)
<u>NON OPERATING REVENUES/EXPENSES:</u>		
Interest Income	335,359	339,943
Realized (Loss) Gain on Sale of Fixed Assets	4,611	-
Realized (Loss) Gain on Investments	7,519	37,131
Unrealized Gain (Loss) on Investments	139,318	(92,566)
TOTAL NON OPERATING REVENUES/EXPENSES	486,807	284,508
Changes in Net Assets	176,642	(642,250)
Net Assets (Deficit) Beginning of Year	5,102,851	5,745,101
Net Assets (Deficit) End of Year	\$ 5,279,493	\$ 5,102,851

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2009 and 2008**

	2009	2008
Cash Flows from Operating Activities:		
Cash Received from Members	\$ 3,222,023	\$ 3,193,777
Cash Paid for Claims	(1,214,152)	(3,570,313)
Cash Paid for Reinsurance Premiums	(1,783,817)	(1,258,024)
Cash Paid for Administrative and General Expenses	(775,109)	(790,076)
	<u>\$ (551,055)</u>	<u>\$ (2,424,636)</u>
<i>Net cash provided/(used) for operating activities</i>		
Cash Flows from Capital and Related Financing Activities:		
Purchases of Equipment	\$ (93,803)	\$ (16,889)
Proceeds from Sale of Fixed Assets	4,611	-
	<u>\$ (89,192)</u>	<u>\$ (16,889)</u>
<i>Net cash provided/(used) for capital and related financing activities</i>		
Cash Flows Provided/(Used) Noncapital Financing Activities:		
Other Income	\$ -	\$ 20,374
	<u>\$ -</u>	<u>\$ 20,374</u>
<i>Net cash provided/(used) for noncapital financing activities</i>		
Cash Flows from Investing Activities:		
Investment Income Received	\$ 501,483	\$ 247,377
Purchased investments/sale of Investments, net	(460,908)	(203,296)
	<u>\$ 40,575</u>	<u>\$ 44,081</u>
<i>Net cash provided/(used) for investing activities</i>		
Net increase in cash and cash equivalents	(599,672)	(2,377,070)
Cash and cash equivalents, December 1,	<u>\$ 2,057,067</u>	<u>\$ 4,434,137</u>
Cash and cash equivalents, November 30,	<u>\$ 1,457,395</u>	<u>\$ 2,057,067</u>
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities		
Operating Income (Loss)	\$ (310,165)	\$ (926,758)
Adjustments:		
Depreciation expense	25,698	24,013
Other Income	(16,778)	(25,479)
(Increase)/Decrease in Assets:		
Members Receivable	(428,207)	(86,749)
Other Receivable	50,880	(59,024)
Prepaid Expenses	32,527	11,242
Increase/(decrease) in liabilities:		
Claims Reserve	(1,158,971)	(1,392,699)
Accounts Payable	(114,952)	30,225
Other Paybles	(10,196)	10,196
Accrued Wages	(1,208)	5,727
Accrued Payroll Taxes	6,032	1,947
Accrued Expenses	(6,014)	(322)
Members Payable	1,380,299	(16,955)
	<u>(240,890)</u>	<u>(1,497,878)</u>
<i>Net cash provided/(used) for operating activities</i>	<u>\$ (551,055)</u>	<u>(2,424,636)</u>

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

NOTE 1 --ORGANIZATION AND OPERATIONS

The Ohio Transit Risk Pool (OTRP) was organized on December 31, 1994 as authorized by Section 2744.081 of the Ohio Revised Code. OTRP is an Ohio not-for-profit corporation organized for the public purpose of 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 administered 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, 2009 include the following Ohio Political Subdivision Transits: Allen County Regional Transit Authority (ACRTA), Butler County Regional Transit Authority (BCRTA), Delaware County Transit Board (DATA), Laketran, Metro Regional Transit Authority (Metro RTA), Portage Area Regional Transportation Authority (PARTA), South East Area Transit (SEAT), Stark Area Regional Transit Authority (SARTA), Toledo Area Regional Transit Authority (TARTA), and Western Reserve Transit Authority (WRTA). On December 1, 2008 OTRP amended their by-laws and no longer offers an associate membership, rather they offer a voting or non-voting membership. OTRP currently does not have any non-voting members. All members participate in the liability program and participate in a self-insured risk sharing program. TARTA is the only member that does not participate in OTRP's commercial property or auto physical damage programs.

OTRP provides commercial property (including flood and earthquake coverage), auto physical damage, boiler and machinery, crime, auto liability (including transit), 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.

NOTE 2 --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. OTRP prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) and predecessor boards' pronouncements issued on or before November 30, 1989, and all FASB pronouncements issued after November 30, 1989, except those that conflict or contradict GASB pronouncements. Operating revenues include membership contribution, reinsurance premiums, member reimbursements and other operating income. Operating expenses include claim expenses, professional services, pool operation, employee salaries and benefits, depreciation and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

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

Investments: The Organization reports all investments in equity and fixed income mutual funds in the statements of net assets at fair value determined by reference to quoted market prices and other relevant information generated by market transactions. In addition, gains and losses (realized and unrealized) are recognized as changes in net assets in the periods in which they occur and investment income is recognized in the period earned.

Member and Accounts Receivable: OTRP carries its accounts receivable at cost. There is no allowance for doubtful accounts at December 31, 2009 and 2008, as OTRP believes all amounts will be collected.

Automobile, Computer Equipment, and Software: Automobile, computer equipment and software are carried at cost. Depreciation is provided on the straight-line basis over the estimated useful life of each asset, which is 5 years for automobiles and 5 to 10 years for equipment and fixtures. Maintenance and repair costs are charged to expense as incurred. Renewals and betterments, which extend the useful life of the assets are capitalized.

Compensated Absences: Employees of the organization are entitled to paid vacation and sick days, depending on job classification, length of service and other factors. The organization's policy on vacation is use it or lose it by the end of the calendar year. Therefore, no accrual is recorded at year-end. Sick pay was deemed immaterial as of November 30, 2009.

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

Claims Deductible: The individual members are responsible for their deductibles. 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. 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 2009 loss year, Metro RTA carried a \$5,000 per occurrence deductible for liability; TARTA carried a \$500,000 deductible per occurrence for liability. All other members carried a \$1,000 deductible for liability.

Claims Reserves: OTRP claims staff is responsible for the adjustment of all new and open claims and establishment of claims reserves, except for TARTA who reserves its claims individually up to its deductible of \$500,000. The value of incurred but not reported claims and loss development is calculated by OTRP's actuary (Godbold, Malpere and Company) based upon the establishment of these case reserves.

Net incurred claims: These claims represent OTRP's case reserves plus an estimate of provisions for loss development and claims incurred but not reported (IBNR), and are net of salvage and subrogation. 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.

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

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

Income Taxes: Under Section 115 of the Internal Revenue Code, premiums and investment income with respect to 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.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

OTRP designated Fifth Third Bank for the deposit of its funds and AMBS Investment Services to assist with investing services. Fifth Third Bank provides for custodial services related to the portfolio managed by AMBS. On October 1, 2009, OTRP began to move its deposits from Fifth Third Bank to JPMorgan/Chase for deposits and J.P. Morgan/Chase for custodial services. AMBS continues to provide all portfolio management services.

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

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure OTRP's deposits may not be returned. OTRP's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. OTRP maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses, and as a result, generally requires balances that exceed the FDIC insurance limits of \$250,000.

At year-end, the carrying amount of OTRP's deposits was \$1,457,395 and the bank balance was \$1,425,693. Of the bank balance \$500,000 was covered by Federal Depository Insurance and \$925,693 was uninsured and collateralized with securities held by the pledging institution's trust department, not in OTRP's name. However, JPMorgan/Chase Bank has a dedicated portfolio to support public funds that matches, or equals, 105% of the public funds deposited. This includes OTRP's funds on account at JPMorgan/Chase Bank.

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
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

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

	2009 Fair Market Value	2009 Cost	2009 Unrealized Gain/(Loss)
Corporate Bonds	\$ 3,108,183	\$ 3,040,677	\$ 67,506
Government, Agency & International Bonds	1,826,490	1,754,678	71,812
Cash & Short Term Investments	1,880,934	1,880,934	-
Total	\$ 6,815,607	\$ 6,676,289	\$ 139,318
	2008 Fair Market Value	2008 Cost	2008 Unrealized Gain/(Loss)
Corporate Bonds	\$ 4,770,990	\$ 4,915,403	\$ (144,413)
Government, Agency & International Bonds	1,070,705	1,018,858	51,847
Cash & Short Term Investments	513,004	513,004	-
Total	\$ 6,354,699	\$ 6,447,265	\$ (92,566)

NOTE 4 --SELF-INSURED RETENTION

OTRP retains responsibility for the payment of claims up to specified retention prior to the application of coverage provided by reinsurance or excess insurance contracts. For the year ended November 30, 2009, OTRP's per occurrence retention for auto physical damage was \$250,000 while its' per occurrence commercial property damage retention was \$100,000. OTRP's per occurrence retention for liability claims (including, auto liability, public officials' liability and general liability) was funded for the year ended November 30, 2009 at \$1,000,000.

Recognizing a need to stabilize pool losses and reduce the potential of a special assessment within the retained \$1,000,000 layer, beginning on December 1, 2007, the OTRP Board of Trustees authorized the purchase of a quota-share facultative reinsurance placement. The coverage limits are \$900,000 in coverage excess of \$100,000 per occurrence. OTRP retains 25% of the \$900,000 per occurrence. The coverage applies in GL, Public Officials E&O & AL. Although this coverage was purchased, OTRP maintains the funding in the self-insured funded layer at \$1,000,000. This provides for premium stability for the future.

NOTE 5 --REINSURANCE AND/OR EXCESS INSURANCE CONTRACTS

OTRP maintains reinsurance and/or excess insurance contracts with qualified reinsurers and excess insurance carriers, which provide various limits of coverage over OTRP's self-insured retentions. Under OTRP's bylaws, the Board of Trustees annually determines the types of reinsurance and/or excess insurance contracts to purchase and the appropriate limits. For the year ended November 30, 2009, OTRP purchased the following types of reinsurance and/or excess insurance contracts in excess of OTRP's self-insured retentions:

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

REINSURANCE AND/OR EXCESS INSURANCE

CONTRACTS

Commercial property	\$	200,000,000
Auto Physical Damage		50,000,000
Auto Physical Damage Over the Road		2,000,000
Boiler		50,000,000
Flood (various zones excluded)		25,000,000
Earthquake		25,000,000
General liability		10,000,000
Automobile liability (including transit)		10,000,000
Public official liability		10,000,000
Employee dishonesty - crime		4,000,000

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 excess of the pools 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 fails to meet their obligations under the reinsurance and/or excess insurance contracts, OTRP and its members would be responsible for such defaulted amounts.

NOTE 6 --CLAIMS RESERVE

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

	<u>November 30,</u> <u>2009</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 2,766,280
Incurred claims and claim adjustment expenses:	
Provision for covered events of the current year	1,123,557
Increase (decrease) in provision for insured events of prior years	<u>(1,158,971)</u>
Total incurred claims and claim adjustment expenses	<u>(35,414)</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current year	457,180
Claims and claim adjustment expenses attributable to insured events of prior years	<u>666,377</u>
Total payments	<u>1,123,557</u>
Unpaid claims and claim adjustment expenses, end of year	<u>\$ 1,607,309</u>

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

Since OTRP began operation in 1994, OTRP's actuary has supplemented OTRP's historical loss data (both paid and incurred) with reliable industry data (both paid and incurred) in estimating OTRP's ultimate losses, and has selected indicated losses and loss expense reserves of \$1,607,309 for the year ended November 30, 2009. The net amounts that will ultimately be paid to settle the liability may vary significantly from the estimated amount provided for in the financial statements.

NOTE 7 --MEMBERS PAYABLE

Any redundancy resulting from surplus left over from closed loss years is added to Members Payable. The outstanding balance at November 30, 2009 is \$2,246,908. These funds are held as a liability in the "GRF" or General Reserve Fund for each Member. Members may annually request a return of funds from their GRF balance, or they may ask that their reserve be applied against an outstanding OTRP invoice at any time.

NOTE 8 --LINE OF CREDIT

During November, 2009, OTRP renewed its line of credit with JPMorgan Chase Bank, NA with a maximum availability of \$1,000,000. Borrowings under this line bear interest at 2.495 percentage points over LIBOR. At November 30, 2009, no borrowings were outstanding. The line of credit is secured by substantially all business assets.

NOTE 9 --IRREVOCABLE LETTER OF CREDIT

During November 2004, the OTRP Board authorized OTRP's participation in a joint venture, Transit Reinsurance, Ltd. ("Transit Re"), a captive insurance company domiciled in Vermont, designed to ensure the constant availability of affordable liability reinsurance protection for its participant/owner transit pools. In order to capitalize Transit Re, participant pools agreed to contribute \$175,000 each either by cash contributions or by irrevocable letter of credit to the Vermont Bureau of Insurance, Securities and Health Care Administration ("VT BISHCA"), at which time the captive incorporated. OTRP 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 2008, the existing letter of credit with Fifth Third expired and a new instrument was executed with JPMorgan Chase Bank in the amount of \$300,000. At November 30, 2009, VT BISHCA had not drawn on the Letter of Credit and no obligations are outstanding.

NOTE 10 --CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and temporary cash investments with financial institutions in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limitations. These balances, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Member receivables are due from entities in the public transportation business.

NOTE 11 --REINSURANCE CONTINGENCY

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

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2009**

NOTE 12 --OPERATING LEASE

OTRP leases office space under an operating lease expiring on November 30, 2010. The aggregate future minimum lease obligation for the next two years is as follows:

Year ended November 30	Total
2010	\$ 20,895
Total	\$ 20,895

Rent expense for the period ended November 30, 2009 totaled \$20,287.

NOTE 13 --FIXED ASSETS

Fixed asset activity for the year ended November 30, 2009 is as follows:

Description	Balance 11/30/2008	Additions	Deletions	Balance 11/30/2009
Automobile, Computer Equipment and Software	\$ 150,193	\$ 93,803	\$ (109,580)	\$ 134,416
Accumulated Depreciation	(124,909)	(25,698)	107,071	(43,536)
Total	\$ 25,284	\$ 68,105	\$ (2,509)	\$ 90,880

Depreciation expense was \$25,698 and \$24,013 in 2009 and 2008, respectively.

OHIO TRANSIT RISK POOL
REQUIRED SUPPLEMENTAL INFORMATION
REVENUE AND CLAIMS DEVELOPMENT INFORMATION

NOVEMBER 30, 2009

Government Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (as amended by GASB Statement No. 30, "Risk Financing Omnibus"), requires the presentation of ten years supplemental revenue and reserve development information, if available. OTRP is presenting supplemental revenue and reserve development information from fiscal year of 2000.

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

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

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

OHIO TRANSIT RISK POOL
 REQUIRED SUPPLEMENTAL INFORMATION
 REVENUE AND CLAIMS DEVELOPMENT INFORMATION

<u>Fiscal and Policy Year Ended</u>	<u>11/30/2009</u>	<u>11/30/2008</u>	<u>11/30/2007</u>	<u>11/30/2006</u>	<u>11/30/2005</u>	<u>11/30/2004</u>	<u>12/31/2003</u>	<u>12/31/2002</u>	<u>12/31/2001</u>	<u>12/31/2000</u>
1. Member Contributions:	\$ 3,435,084	\$3,280,526	\$3,755,581	\$5,340,851	\$5,584,809	\$5,322,770	\$ 5,257,634	\$3,348,146	\$2,775,470	\$2,287,948
2. Purchased insurance costs:	\$ 1,324,144	\$1,258,024	\$1,363,138	\$1,928,677	\$1,601,732	\$1,682,708	\$ 1,471,061	\$713,590	\$375,446	\$367,010
3. Net Paid Losses:										
For the policy year	\$457,180	\$118,150	\$115,125	\$666,609	\$186,069	\$101,086	\$67,888	\$684,866	\$706,766	\$1,291,058
One year later		\$332,842	\$447,229	\$828,955	\$443,011	\$303,432	\$1,449,394	\$305,317	\$1,624,371	\$782,667
Two years later			\$838,336	\$1,823,231	\$752,084	\$420,899	\$2,430,524	\$621,450	\$1,265,186	\$1,601,337
Three years later				\$1,980,754	\$876,388	\$1,122,868	\$2,753,600	\$969,050	\$1,691,385	\$1,397,925
Four years later					\$1,085,950	\$1,184,619	\$2,754,441	\$1,219,473	\$1,602,138	\$1,397,900
Five years later						\$1,213,189	\$2,754,441	\$1,257,261	\$1,602,138	\$1,440,989
Six years later							\$2,754,441	\$1,257,261	\$1,602,138	\$1,168,776
Seven years later								\$1,257,261	\$1,602,138	\$1,168,776
Eight years later									\$1,602,138	\$1,168,776
Nine years later										\$1,168,776
4. Net indicated Loss & Loss Expense Reserves (including IBNR):										
For the policy year	\$666,377	\$608,358	\$1,840,244	\$2,247,694	\$2,949,301	\$2,389,172	\$3,531,444	\$1,211,446	\$723,416	\$980,060
One year later		\$377,161	\$1,430,744	\$1,634,024	\$2,142,869	\$1,591,149	\$1,860,955	\$968,110	\$1,120,583	\$795,162
Two years later			\$280,690	\$603,340	\$648,940	\$1,151,044	\$508,908	\$778,392	\$632,753	\$646,313
Three years later				\$196,582	\$87,323	\$52,560	\$32,975	\$407,179	\$119,881	\$89,535
Four years later					\$56,499	\$38,165	\$0	\$71,446	\$2,250	\$113,210
Five years later						\$30,000	\$0	\$0	\$0	\$95,472
Six years later							\$0	\$0	\$0	\$0
Seven years later								\$0	\$0	\$0
Eight years later									\$0	\$0
Nine years later										\$0
5. Estimated net ultimate incurred claims and loss & loss expense at 11/30/09 :	\$1,123,557	\$710,003	\$1,119,026	\$2,177,336	\$1,142,449	\$1,243,189	\$2,754,441	\$1,257,261	\$1,602,138	\$1,168,776
6. Original Estimated Ultimate incurred claims and expense at end of first policy year:	\$1,123,557	\$726,508	\$1,955,369	\$2,914,303	\$3,135,370	\$2,490,258	\$3,599,332	\$1,896,312	\$1,430,182	\$3,701,300
7. Deviation from original estimate as of 11/30/2009:	\$0	(\$16,505)	(\$836,343)	(\$736,967)	(\$1,992,921)	(\$1,247,069)	(\$844,891)	(\$639,051)	\$171,956	(\$2,532,524)

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited the financial statements of the Ohio Transit Risk Pool, Summit County (OTRP) as of and for the year ended November 30, 2009 and have issued our report thereon dated May 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the OTRP's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the OTRP's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the OTRP's financial statements will not be prevented or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the OTRP's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, and the Board of Trustees. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

May 11, 2010

**OHIO TRANSIT RISK POOL
SUMMIT COUNTY, OHIO
For the year ended November 30, 2009**

Status of Prior Audit Findings

The prior audit report, for the year ending November 30, 2008, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

OHIO TRANSIT RISK POOL

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 15, 2010**