Ohio Transit Risk Pool - Medina County

Financial Report
with Supplemental Information
November 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Ohio Transit Risk Pool
250 South High Street, Suite 100
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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, 2017 through November 30, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

June 18, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Ohio Transit Risk Pool - Medina County (OTRP) as of and for the years ended November 30, 2018 and 2017 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 the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2018 and 2017 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.

Emphasis of Matter

As described in Note 2 to the financial statements, during the year ended November 30, 2018, Ohio Transit Risk Pool - Medina County adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for other postemployment benefits provided to the employees of governmental entities. Our opinion is not modified with respect to this matter.

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

Required Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019 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 & Moran, PLLC

May 24, 2019

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, 2018. 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.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals OTRP's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefit

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, OTRP is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly and approval of the governor of the State of Ohio. Benefit provisions are also determined by state statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the OTRP's statements prepared on an accrual basis of accounting include an annual pension expense and other post-employment benefits, respectively, for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Under GASB 68 and GASB 75, OTRP is reporting net pension and net post-employment benefits liabilities and deferred inflows/outflows of resources related to pension and other post-employment benefits on the accrual basis of accounting.

Financial Highlights

During 2018, OTRP's financial activities were highlighted by the following significant events:

- OTRP experienced a negative claims development beyond the initial IBNR reserves for the 2012 and 2013 loss years. These claims impacted OTRP through a combination of increased frequency in larger claims payments and claims reserves above $50,000. No single catastrophic loss was sustained. As of November 30, 2018 and 2017, the majority of the liabilities have been resolved, but claim payments continue to impact OTRP's financial position. Overall, the number of open claims increased from 128 to 146 at fiscal year-end. Total reserves have increased from $4,014,923 at November 30, 2017 to $4,588,175 at November 30, 2018. The majority of the reserves remain in 2018 and 2017 years, which represents the loss years in which the Ohio Statute of Limitations has not yet tolled. OTRP continues to implement in-house proactive claims adjustment efforts and aggressive loss control strategies through OTRP's risk management program.

- During 2018 and 2017, the OTRP Board of Trustees did not issue any special assessments or make any equity returns emanating from the closure of a loss year. During 2016, the OTRP Board issued one special assessment of $553,889 representing additional funding for the 2012 loss year. Simultaneously, OTRP issued member equity returns of $771,892 from loss years 2008, 2010, and 2011. Currently, the total (for all years) members' equity return is $12,518,283.

- During 2018 and 2017, distributions to members in the form of interest earned on the Shock Loss Fund were made totaling $175,821 and $152,237, respectively. No returns were made from the Shock Loss Fund.

- As required, OTRP adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (OPEB) during the fiscal year. As a result the statement of net position includes a liability for the unfunded portion of the retiree's healthcare costs. In order to adopt GASB Statement No. 75, the beginning net position for the fiscal year has been restated. The beginning net position of OTRP was restated by ($361,592). The net OPEB liability for OTRP resulting from this reporting change is $388,762 at November 30, 2018.

- OTRP carried a fully funded Shock Loss Fund. Under the OTRP Board policy, members are required to fund their shock loss funds to the equal amount of one time of their annual contribution. During 2016, the Board amended the policy to allow members to fund up to four times their annual contribution. This action was due to further actuarial 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. Total Shock Loss Fund contributions for all years that were recognized during 2018 and 2017 totaled $326,630 and $384,005, respectively.

- Due to the full funding of the Shock Loss Fund, OTRP determined, with actuarial confidence, to continue to self-insure the first $2,000,000 for each liability occurrence. The OTRP Board raised their self-insured retention from $1,000,000 in 2016.

- During 2018 and 2017, OTRP continued to participate in Transit Reinsurance Limited (TRL), a captive insurance company domiciled in the State of Vermont. During 2016, the TRL captive members updated their by-laws, which were subsequently approved by the OTRP Board of Trustees. OTRP participates in a quota share within the captive. OTRP's overall liability reinsurance limits were placed at $10,000,000 per occurrence for the years ending November 30, 2018 and 2017.

- 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 Regional Transit Authority (METRO RTA) selected a $5,000 per-occurrence liability deductible, while Toledo Area Regional Transit Authority (TARTA) selected a $250,000 per-occurrence liability deductible.

- As of fiscal year ends 2018 and 2017, all members participate in all lines of coverage.

- As of November 30, 2018 and 2017, OTRP held member receivables of $555,677 and $78,915 respectively, of which $194,084 represents member receivables related to deductibles due and issued on November 30, 2018.

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 is as follows:

	November 30		
	2018	2017	2016
Condensed Statement of Net Position			
Assets			
Cash and short-term investments	$ 3,148,057	$ 2,093,214	$ 2,615,556
Other assets	643,147	93,678	151,852
Total current assets	3,791,204	2,186,892	2,767,408
Long-term assets:			
Investments	6,585,216	7,798,798	6,617,109
Capital assets - Net of depreciation	31,998	22,154	28,252
Total assets	10,408,418	10,007,844	9,412,769
Deferred Outflows of Resources			
Pension	159,105	250,495	188,395
OPEB	28,825	-	-
Total deferred outflows of resources	187,930	250,495	188,395
Liabilities			
Current	2,439,669	2,579,162	2,720,585
Long term	4,250,185	3,498,738	2,347,986
Total liabilities	6,689,854	6,077,900	5,068,571
Deferred Inflows of Resources			
Pension	136,046	2,082	5,708
OPEB	28,960	-	-
Total deferred outflows of resources	165,006	2,082	5,708
Net Position			
Invested in capital assets	31,998	22,154	28,252
Unrestricted	3,709,490	4,156,203	4,498,633
Total net position	**$ 3,741,488**	**$ 4,178,357**	**$ 4,526,885**

	Year Ended November 30		
	2018	2017	2016
Condensed Statement of Changes in Net Position			
Changes in Net Position			
Total operating revenue	$ 2,916,248	$ 2,948,180	$ 3,647,792
Operating expenses:			
Claims and claims adjustment expenses	(1,691,805)	(2,181,757)	(2,341,332)
Administrative expenses	(1,199,801)	(1,105,675)	(879,793)
Total operating expenses	(2,891,606)	(3,287,432)	(3,221,125)
Operating Income (Loss)	24,642	(339,252)	426,667
Nonoperating Expense			
Investment earnings and realized and unrealized gains and losses on investments	83,930	142,961	61,146
Loss on disposal of fixed assets	(8,028)	-	-
Distributions to members	(175,821)	(152,237)	(848,786)
Total nonoperating expenses	(99,919)	(9,276)	(787,640)
Change in Net Position	**$ (75,277)**	**$ (348,528)**	**$ (360,973)**

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 $1,604,312, while long-term assets decreased by $1,203,738 between 2017 and 2018. These changes were caused by a change in strategy in investments and an increase in accounts receivable.

- OTRP’s capital assets, net of depreciation, increased from 2017 to 2018 by $9,844. This is due to the purchase of a new asset in 2018.

- OTRP’s liabilities increased from 2017 to 2018 by $611,954. The increase in liabilities is primarily attributable to adverse claims development, in combination with an increase in the net pension liability and OPEB liability and balance in members’ returns to the General Reserve Fund (GRF). There were no liabilities in the current year for prepayments related to (LY25) 2019.

- The difference between assets and liabilities, or “net position,” decreased from 2017 to 2018 by $436,869. The decrease is attributable to increases in the claims and pension liabilities, shock loss deferred revenues, and members’ returns to the General Reserve Fund (GRF).

- OTRP operating expenses were fairly stable with continued reflection of the reduced impact by claims and claims adjustment expense.

- Total OTRP revenue (net of reinsurance/excess insurance premiums) decreased to $2,916,248 in 2018 from $2,948,180 in 2017. The decrease is due to lowered purchased insurance premiums which was partially offset with additional voluntary shock loss contributions and recognized deferred revenue in the shock loss fund.

Reserves for Claims

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

Budgetary Highlights

OTRP adopts an annual operating budget for the current fiscal year. The budget is presented to the OTRP 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	$ 3,755,063	$ 3,946,698	$ 191,635
Other operating revenue	261,250	140,250	(121,000)
Less reinsurance/excess insurance premiums	(1,178,754)	(1,170,700)	8,054
Total operating income	2,837,559	2,916,248	78,689
Operating Expenses			
Claims and claims adjustment expenses	(1,791,892)	(1,691,805)	100,087
Professional fees and other	(138,855)	(142,294)	(3,439)
Pool operations	(143,427)	(166,977)	(23,550)
Salaries and employee benefits	(753,385)	(884,651)	(131,266)
Depreciation	-	(5,879)	(5,879)
Total operating expenses	(2,827,559)	(2,891,606)	(64,047)
Nonoperating Income (Expenses)			
Net investment income	125,000	83,930	(41,070)
Loss on sale of capital asset		(8,028)	(8,028)
Distribution to members	-	(175,821)	(175,821)
Total nonoperating income (expenses)	125,000	(99,919)	(224,919)
Change in Net Position	**$ 135,000**	**$ (75,277)**	**$ (210,277)**

The following is an explanation of the significant variances of the budget to actual for 2018:

- Member contributions were higher than budgeted due to the fact that membership contributions include additional voluntary shock loss contributions and revenue recognized from deferred shock loss revenue, both of which are not subject to the yearly budgeting process.

- Claims and claims adjustment expenses were lower than expected, as claims paid during the current year but incurred in prior years are not budgeted on a yearly basis. Claims experience is variable and determined by actual incurred claims experience.

- Operating expenses were also over budget due to the fact that GASB 68 and 75 are not budgeted at the administrative level and they are a significant expense which is recorded.

- Investment losses and gains (realized or unrealized) are not budgeted for within the OTRP program. OTRP recognized $208,470 in realized/unrealized losses from the overall investment program, which has been netted against net investment income 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. No distributions, other than return of interest, occurred during 2018.

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 at 1 Park Centre Drive, #300, Wadsworth, OH 44281.

Statement of Net Position

November 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 1,068,017	$ 1,124,920
Investments (Notes 3 and 4)	2,080,040	968,294
Receivables - Members	555,677	78,915
Prepaid expenses and other assets	87,470	14,763
Total current assets	3,791,204	2,186,892
Noncurrent assets:		
Investments (Notes 3 and 4)	6,585,216	7,798,798
Capital assets - Net (Note 5)	31,998	22,154
Total noncurrent assets	6,617,214	7,820,952
Total assets	10,408,418	10,007,844
Deferred Outflows of Resources (Note 13)	187,930	250,495
Liabilities		
Current liabilities:		
Accounts payable	10,734	12,534
Current portion of reserves for unpaid claims and claims adjustment expenses (Note 6)	1,481,000	1,400,000
Accrued compensation	13,093	23,225
Members' payable (Note 9)	747,974	871,092
Current portion of unearned contributions	186,868	272,311
Total current liabilities	2,439,669	2,579,162
Noncurrent liabilities:		
Reserves for unpaid claims and claims adjustment expenses - Net of current portion (Note 6)	3,107,175	2,614,923
Unearned contributions - Net of current portion	283,679	283,188
Net pension liability (Note 13)	470,569	600,627
Net OPEB obligation (Note 13)	388,762	-
Total noncurrent liabilities	4,250,185	3,498,738
Total liabilities	6,689,854	6,077,900
Deferred Inflows of Resources (Note 13)	165,006	2,082
Net Position		
Net investment in capital assets	31,998	22,154
Unrestricted	3,709,490	4,156,203
Total net position	**$ 3,741,488**	**$ 4,178,357**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended November 30, 2018 and 2017

	2018	2017
Operating Revenue		
Member contributions	$ 3,946,698	$ 3,930,557
Less reinsurance premiums expense	(1,170,700)	(1,104,769)
Other operating income	140,250	122,392
Total operating revenue	2,916,248	2,948,180
Operating Expenses		
Provision for claims: (Note 6)		
Paid	1,118,553	962,053
Change in reserve for claims	573,252	1,219,704
Total claims	1,691,805	2,181,757
General and administrative expenses:		
Salary, wages, and fringe benefits	884,651	789,744
Professional fees and other	142,294	150,633
Pool operations	166,977	159,200
Depreciation (Note 5)	5,879	6,098
Total operating expenses	2,891,606	3,287,432
Operating Income (Loss)	24,642	(339,252)
Nonoperating Revenue (Expense)		
Interest and dividend income	292,400	229,356
Realized and unrealized loss on investments	(208,470)	(86,395)
Distributions to members	(175,821)	(152,237)
Loss on disposal of capital assets	(8,028)	-
Total nonoperating expense	(99,919)	(9,276)
Change in Net Position	(75,277)	(348,528)
Net Position - Beginning of year - As restated (Note 2)	3,816,765	4,526,885
Net Position - End of year	**$ 3,741,488**	**$ 4,178,357**

See notes to financial statements.

Statement of Cash Flows

Years Ended November 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from members	$ 3,384,984	$ 3,868,411
Cash paid for claims	(1,118,553)	(962,053)
Cash paid for reinsurance premiums	(1,177,625)	(1,108,457)
Cash paid for administrative and general expenses	(647,193)	(898,858)
Net cash and cash equivalents provided by operating activities	441,613	899,043
Cash Flows Used in Financing Activities - Distributions to members	(175,821)	(230,420)
Cash Flows from Investing Activities		
Investment income received	292,400	229,356
Purchase of investments	(1,541,723)	(2,467,202)
Proceeds from sale and maturities of investments	950,379	1,440,969
Purchase of capital assets	(37,877)	-
Proceeds from sale of capital assets	14,126	-
Net cash used in investing activities	(322,695)	(796,877)
Net Decrease in Cash and Cash Equivalents	(56,903)	(128,254)
Cash and Cash Equivalents - Beginning of year	1,124,920	1,253,174
Cash and Cash Equivalents - End of year	**$ 1,068,017**	**$ 1,124,920**
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	$ 24,642	$ (339,252)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	5,879	6,098
Changes in assets and liabilities:		
Accounts receivable	(476,762)	69,622
Prepaid expenses and other assets	(72,707)	(11,448)
Accounts payable	(1,800)	1,047
Unearned contributions	(84,952)	(131,768)
Accrued compensation	(10,132)	13,649
Reserve of claims	573,252	1,219,704
Pension	484,193	71,391
Net cash and cash equivalents provided by operating activities	**$ 441,613**	**$ 899,043**

For 2018 and 2017, there were noncash transactions totaling $209,266 and $50,522, respectively, relating to unrealized losses on investments.

Note 1 - Nature of Business

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, 2018 include the following Ohio Political Subdivision Transits: Allen County Regional Transit Authority (ACRTA), Lake County Regional Public Transportation (LAKETRAN), Metro Regional Transit Authority (Metro RTA), Portage Area Regional Transportation Authority (PARTA), Stark Area Regional Transit Authority (SARTA), Western Reserve Transit Authority (WRTA), Butler County Regional Transit Authority (BCRTA), South East Area Transit (SEAT), Delaware County Transit Board (DATA), and Toledo Area Regional Transit Authority (TARTA). On December 1, 2009, OTRP amended its 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 2018, 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 composed exclusively of Ohio Political Subdivision Regional Transit Authorities, the 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 - Significant Accounting Policies

Basis of Accounting

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.

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

Cash and cash equivalents include operating and claims checking accounts and money market funds.

Note 2 - Significant Accounting Policies (Continued)

Investments

Investments consist of U.S. Treasury securities, U.S. agencies and pass-throughs, long-term certificates of deposit, state and local municipal bonds, corporate bonds, and mutual funds, 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.

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 and Claims Adjustment Expenses

Reserves for claims represent OTRP’s case reserves for incurred claims, plus an estimate of provisions for loss development, 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 claims obligations, OTRP's board has the ability to assess the members for supplemental contributions. There were no special assessments required during 2018 and 2017.

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.

Member Contributions

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 65 and 75 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 that assesses the proportional risk that each member brings to OTRP for each loss year.

Note 2 - Significant Accounting Policies (Continued)

Unearned Contributions

Unearned contributions represent contributions from members in excess of the required contribution to the Shock Loss Fund (the "SLF") that will be recognized as revenue over the periods for which coverage is expected to be provided.

Shock Loss Fund

In addition to the member contributions, OTRP members will contribute to the SLF based on an amount determined each year to be equal to their annual contributions. If a member's balance in the SLF drops below the member's 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 400 percent of the required contribution.

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 2018 and 2017, the board declared dividends, including distributions of interest on SLF, totaling $175,821 and $152,237, respectively.

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 2018 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 2018 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.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

For the purpose of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Ohio Public Employees Retirement System Pension Plan (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The government reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 13.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 13.

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 and claims adjustment expenses.

Note 2 - 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.

Premium Deficiency Reserve

OTRP determines whether a premium deficiency reserve is necessary, including investment income as a factor in the premium deficiency calculation. No premium deficiency reserve was required at November 30, 2018 and 2017.

New Accounting Pronouncement

During the year ended November 30, 2018, OTRP adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, OTRP has reported a change in accounting principle adjustment to unrestricted net position of $361,592, which is the net OPEB liability and related deferred outflows of resources as of December 1, 2017. November 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended November 30, 2017.

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. OTRP is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the OTRP's financial statements for the year ending November 30, 2021.

Note 3 - 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 June 12, 2013 and September 12, 2018. 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. Effective May 2017, OTRP has designated Key Bank for deposit of its investments. Prior to May 2017, OTRP had designated JPMorgan Chase Bank for deposit of its investments. As of November 30, 2018 and 2017, OTRP has designated JPMorgan Chase Bank for deposit of its cash. Financial Advisory Corporation acts as the investment portfolio manager.

Note 3 - Deposits and Investments (Continued)

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 and money market funds. Cash and cash equivalents totaled $1,068,017 and $1,124,920 at November 30, 2018 and 2017, respectively. At November 30, 2018 and 2017, long-term certificates of deposit totaled $173,423 and $201,504, respectively. At November 30, 2018 and 2017, short-term certificates of deposit totaled $71,479 and $40,251, respectively.

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, 2018, OTRP had $705,674 in bank deposits that were uninsured and uncollateralized.

Investments

Investments are reported at fair value. At November 30, 2018 and 2017, OTRP had the following investments:

	Fair Value	
	2018	2017
U.S. Treasury securities	$ 1,307,020	$ 1,016,452
U.S. agencies and pass-throughs	1,062,444	1,102,290
State and local municipal bonds	198,377	198,958
Corporate bonds	5,651,776	6,207,637
Mutual funds	200,737	-
Certificates of deposit	244,902	241,755
Total	$ 8,665,256	$ 8,767,092

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, 2018 and 2017, all of OTRP's investments were held by the investments' counterparty.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. OTRP's investment policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with OTRP's cash requirements.

Note 3 - Deposits and Investments (Continued)

At November 30, 2018 and 2017, OTRP had the following investments subject to interest rate risk:

	2018		2017	
Investment	Carrying Value	Weighted-average Maturity (Years)	Carrying Value	Weighted-average Maturity (Years)
U.S. Treasury securities	$ 1,307,020	2.92	$ 1,016,452	2.87
U.S. agencies and pass-throughs	1,062,444	2.26	1,102,290	2.73
State and local municipal bonds	198,377	0.32	198,958	1.67
Corporate bonds	5,651,776	2.78	6,207,637	3.28
Mutual funds	200,737	N/A	-	
Total	$ 8,420,354		$ 8,525,337	

Credit Risk

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

At November 30, 2018, the credit quality ratings of fixed-income securities by type (other than the U.S. government) are as follows:

	Fair Value	Rating	Rating Organization
U.S. agencies and pass-throughs	$ 1,062,444	AA+	S&P
State and local municipal bonds	198,377	AA+	S&P
Corporate bonds	244,188	AAA	S&P
	585,533	AA+	S&P
	609,852	AA	S&P
	1,850,110	AA-	S&P
	1,841,449	A+	S&P
	249,983	A	S&P
	270,661	BBB+	S&P
Total corporate bonds	$ 5,651,776		

At November 30, 2017, the credit quality ratings of fixed-income securities by type (other than U.S. government) are as follows:

	Fair Value	Rating	Rating Organization
U.S. agencies and pass-throughs	$ 1,102,290	AA+	S&P
State and local municipal bonds	198,958	AA+	S&P
Corporate bonds	252,520	AAA	S&P
	580,476	AA+	S&P
	627,331	AA	S&P
	2,283,166	AA-	S&P
	1,496,572	A+	S&P
	837,987	A	S&P
	129,585	BBB	S&P
Total corporate bonds	$ 6,207,637		

Note 3 - 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 was one investment that individually exceeded 5 percent of OTRP's total investments at November 30, 2018 and 2017.

Foreign Currency Risk

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

Note 4 - Fair Value Measurements

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

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

OTRP has the following recurring fair value measurements as of November 30, 2018:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:			
U.S. Treasury securities	$ 1,307,020	$ -	$ -
U.S. agencies and pass-throughs	-	1,062,444	-
State and local municipal bonds	-	198,377	-
Corporate bonds	-	5,651,776	-
Mutual funds	200,737	-	-
Total debt securities	1,507,757	6,912,597	-
Certificates of deposit	-	244,902	-
Total investments by fair value	$ 1,507,757	$ 7,157,499	$ -

Note 4 - Fair Value Measurements (Continued)

OTRP has the following recurring fair value measurements as of November 30, 2017:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:			
U.S. Treasury securities	$ 1,016,452	$ -	$ -
U.S. agencies and pass-throughs	-	1,102,290	-
State and local municipal bonds	-	198,958	-
Corporate bonds	-	6,207,637	-
Total debt securities	1,016,452	7,508,885	-
Certificates of deposit	-	241,755	-
Total investments by fair value	$ 1,016,452	$ 7,750,640	$ -

U.S. Treasury securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair values of debt securities and certificates of deposit were determined primarily based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, such as benchmark yields, expected prepayment speeds and volumes, and issuer ratings, and are classified as Level 2.

Note 5 - Capital Assets

Cost of capital assets is summarized as follows:

	2018	2017
Transportation equipment	$ 37,877	$ 39,594
Computer equipment and software	45,912	45,912
Total cost	83,789	85,506
Less accumulated depreciation	51,791	63,352
Net carrying amount	$ 31,998	$ 22,154

Total depreciation expense was $5,879 and $6,098 for November 30, 2018 and 2017, respectively.

Note 6 - Reserve for Unpaid Claims and Claims 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 unpaid claims and claims adjustment expenses for OTRP for the years ended November 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
Reserve for unpaid claims and claims adjustment expenses - Beginning of year	$ 4,014,923	$ 2,795,219	$ 2,047,967
Incurred claims and claims adjustment expenses:			
Provisions for incurred claims in current year	3,315,673	1,677,935	1,776,025
Change in provision for claims incurred in prior years	(1,623,868)	503,822	565,307
Total incurred claims and claims adjustment expenses	1,691,805	2,181,757	2,341,332
Payments:			
Claims and claims adjustment expenses paid for claims incurred in the fiscal year	360,782	413,432	69,420
Claims and claims adjustment expenses paid for claims incurred in prior years	757,771	548,621	1,524,660
Total payments	1,118,553	962,053	1,594,080
Reserve for unpaid claims and claims adjustment expenses - End of year	$ 4,588,175	$ 4,014,923	$ 2,795,219

During 2018, there was favorable development, which was primarily related to a 2016 property claim that settled favorably. There was unfavorable development in 2017 and 2016 related to prior accident years. These developments related to claims settling for amounts different than originally estimated. In addition, during 2017 and 2016, there was a higher frequency of larger claims resulting in the unfavorable development.

Note 7 - 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 8. For 2018 and 2017, 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 $2,000,000 at November 30, 2018 and 2017. OTRP's per occurrence retention for crime and fidelity coverage was $100,000 at November 30, 2018 and 2017. OTRP's per occurrence retention for boiler and machinery was $50,000 at November 30, 2018 and 2017. For each per occurrence claim within OTRP's self-insured retention, the member is charged the indicated deductible as disclosed in Note 2.

Note 8 - 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, 2018, OTRP purchased the following types of reinsurance and/or excess insurance contracts in excess of self-insured retentions described above:

Policy	Amount
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
Computer fraud - Crime	4,000,000
Funds transfer fraud - Crime	4,000,000
Errors and omissions	10,000,000
Employee benefits	10,000,000
Pollution	1,000,000

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 $10 million in excess of $2 million in liability coverage with a 10 percent quota share. Additionally, OTRP participates in the retained quota share within the captive. 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.

Note 9 - 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 per year, members may remove any balance from their GRF as a cash distribution. The members' payable at November 30, 2018 and 2017 totaled $747,974 and $871,092, respectively.

Note 10 - Line of Credit

OTRP has a secured line of credit with JPMorgan Chase Bank with a maximum availability of $700,000, expiring on July 15, 2020. Borrowings under the line of credit bear interest at the adjusted LIBOR (the "note rate") and at the rate of 3.000 percent per annum above the note rate (an effective rate of 6.060 percent at November 30, 2018). OTRP had no amounts outstanding under the line of credit at November 30, 2018 or 2017. The line of credit is secured by substantially all business assets.

Note 11 - 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 agree to contribute $300,000 each either by cash contributions or by irrevocable letter of credit. Since December 1, 2005, the OTRP board of trustees has approved the capitalization through the issuance of an irrevocable letter of credit issued in the name of the Department of Financial Regulation (DFR), State of Vermont. The 12-month letter currently issued by JPMorgan Chase Bank was issued on October 11, 2009 and is subsequently renewed each year. During 2018, the letter was amended to extend the original date of expiration to October 11, 2019. At November 30, 2018 and 2017, the DFR had not drawn on the letter of credit, and no obligations are outstanding. The letter is secured by substantially all business assets.

Note 12 - Operating Leases

OTRP leases office space under an operating lease expiring on November 30, 2020. Total rent expense under this lease was $50,963 for the years ended November 30, 2018 and 2017.

Future minimum rental commitments are as follows:

Years Ending November 30	Amount
2019	$ 50,963
2020	50,963

Note 13 - Employee Benefit Plans

Plan Description

OTRP contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS provides retirement, disability, annual cost of living adjustments, death benefits, and healthcare benefits to vested retirees. OPERS offers three separate retirement plans:

Defined benefit plan - Traditional pension plan. This is a cost-sharing, multiemployer plan. This plan provides disability, annual cost of living adjustments, death benefits, and healthcare benefits. Healthcare benefits are based on years of service.

Defined contribution plan - Member-directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or healthcare benefits.

Combined plan - Has elements of the traditional pension plan and member-directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost of living adjustments, death benefits, and healthcare benefits. Healthcare benefits are based on years of service.

Note 13 - Employee Benefit Plans (Continued)

OPERS issues a separate, publicly available financial report that includes financial statements and required supplemental information. The OPERS Comprehensive Annual Financial Report can be downloaded from OPERS' website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. OTRP contributes 13.0 and 12.0 percent of covered payroll as of November 30, 2018 and 2017, respectively, and the employee pretax contribution rate is 10.0 percent of covered payroll. The system also provides postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Benefits Provided

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years), and final average salary using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of $500-$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with one and one-half years of service credits with the plan obtained within the last two and one-half years, except for law enforcement and public safety personnel, who are eligible immediately upon employment.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

In addition to the pension benefits described above, Ohio Law provides that OTRP fund postretirement healthcare benefits to retirees and their dependents through employer contributions. The portion of employer contributions, for all employers, allocated to health care was 2.0 percent during calendar years 2018 and 2017.

Contributions

Contributions to the pension plan from OTRP were $69,763 and $70,041 for the years ended November 30, 2018 and 2017, respectively. Contributions related to OPEB plan from OTRP were $27 for the year ended November 30, 2018.

Net Pension Liability, Deferrals, and Pension Expense

At November 30, 2018 and 2017, OTRP reported a liability of $470,569 and $600,627, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OTRP's proportion of the net pension liability was based on OTRP's actuarially required contribution for the year ended November 30, 2018 relative to all other contributing employers. At December 31, 2018, OTRP’s proportion was 0.003 percent, which is the same as its proportion measured as of December 31, 2017.

Note 13 - Employee Benefit Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended November 30, 2018 and 2017, OTRP recognized pension expense of $95,296 and $71,391, respectively. At November 30, 2018, OTRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,842	$ (9,287)
Change in assumptions	56,403	-
Net difference between projected and actual earnings on pension plan investments	-	(101,372)
Changes in proportionate share, or difference between amount contributed and proportionate share of contributions	33,916	(25,387)
Employer contributions to the plan subsequent to the measurement date	66,944	-
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	$ 159,105	$ (136,046)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending November 30	Amount
2019	$ 56,438
2020	4,631
2021	(48,451)
2022	(45,468)
2023	(3,834)
Thereafter	(7,201)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2019).

Net OPEB Liability, Deferrals, and OPEB Expense

At November 30, 2018, OTRP reported a liability for its proportionate share of the net OPEB liability of OPERS. For November 30, 2018, the net OPEB liability was measured as of December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. OTRP's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

At December 31, 2018, OTRP’s proportion was 0.004 percent, which is the same as its proportion measured as of December 31, 2017.

Note 13 - Employee Benefit Plans (Continued)

For the year ended November 30, 2018, the OTRP recognized OPEB expense of $27,305. At November 30, 2018, OTRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 303	$ -
Changes of assumptions	28,522	-
Net difference between projected and actual earnings on OPEB plan investments	-	(28,960)
Total	$ 28,825	$ (28,960)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Amount
2019	$ 6,438
2020	6,438
2021	(5,987)
2022	(7,024)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year (2019).

Actuarial Assumptions

The total pension and OPEB liability is based on the results of an actuarial valuation, which was determined using the following actuarial assumptions for 2017, applied to all periods included in the measurement on November 30, 2018:

Valuation date - Pension and OPEB - December 31, 2017

Actuarial cost method - Individual entry age

Cost of living - 3.0 percent

Salary increases, including inflation - 3.25 percent to 10.75 percent

Inflation - 3.25 percent

Investment rate of return - Pension - 7.50 percent, net of pension plan investment expense

Investment rate of return - OPEB - 6.50 percent, net of investment expense

Healthcare cost trend rates - 7.50 percent initial, 3.25 percent, ultimate in 2028

Experience study date - Period of five years ended December 31, 2015

Mortality basis - RP-2014 Healthy Annuitant mortality table

Discount Rate

The discount rate used to measure the total pension liability at November 30, 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at contractually required rates for all plans.

Note 13 - Employee Benefit Plans (Continued)

Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rates used to measure the total OPEB liabilities at November 30, 2018 was 3.85 percent for OPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans.

Based on those assumptions, each pension plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees for OPERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Investment Category	Defined Benefit Portfolio Target Allocation	Defined Benefit Portfolio Long-term Expected Real Rate of Return	Healthcare Portfolio Target Allocation	Healthcare Portfolio Long-term Expected Real Rate of Return
Fixed income	23.00 %	2.20 %	34.00 %	1.88 %
Domestic equities	19.00	6.37	21.00	6.37
Real estate	10.00	5.26	-	-
Private equity	10.00	8.97	-	-
International equity	20.00	7.88	22.00	7.88
REITs	-	-	6.00	5.91
Other investments	18.00	5.26	17.00	5.39

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of OTRP at November 30, 2018, calculated using the discount rate of 7.50 percent, as well as what OTRP's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net pension liability	$ 836,453	$ 470,569	$ 165,479

Note 13 - Employee Benefit Plans (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of OTRP calculated using the discount rate listed below, as well as what OTRP's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	1 Percent Decrease (2.85%)	Current Discount Rate (3.85%)	1 Percent Increase (4.85%)
Net OPEB liability	$ 516,487	$ 388,762	$ 285,433

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of OTRP, calculated using the healthcare cost trend rate listed below, as well as what OTRP's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	1 Percent Decrease	Current Trend Rate	1 Percent Increase
Net OPEB liability	$ 371,962	$ 388,762	$ 406,115

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued OPERS financial report.

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Required Supplemental Information

Required Supplemental Information
Schedule of Pension Contributions

Last Three Fiscal Years

Years Ended November 30

	2018	2017	2016
Statutorily required contribution	$ 62,602	$ 49,341	$ 48,920
Contributions in relation to the statutorily required contribution	62,602	49,341	48,920
Contribution Excess	**$ -**	**$ -**	**$ -**
OTRP's Covered Employee Payroll	$ 481,554	$ 411,175	$ 407,667
Contributions as a Percentage of Covered Employee Payroll	13.00 %	12.00 %	12.00 %

Required Supplemental Information
Schedule of OTRP's Proportionate Share of the Net Pension Liability

Last Three Plan Years
Plan Years Ended November 30

	2018	2017	2016
OTRP's proportion of the net pension liability	0.00300 %	0.00265 %	0.00270 %
OTRP's proportionate share of the net pension liability	$ 470,569	$ 600,627	$ 463,510
OTRP's covered payroll	$ 481,554	$ 411,175	$ 407,667
OTRP's proportionate share of the net pension liability as a percentage of its covered employee payroll	97.72 %	68.46 %	87.95 %
Plan fiduciary net position as a percentage of total pension liability	84.85 %	77.38 %	81.19 %

Required Supplemental Information
Schedule of OPEB Contributions

	Current Fiscal Year Year Ended November 30 2018
Statutorily required contribution	$ 206
Contributions in relation to the statutorily required contribution	206
Contribution Excess	**$ -**
OTRP's Covered Employee Payroll	$ 481,554
Contributions as a Percentage of Covered Employee Payroll	- %

Required Supplemental Information
Schedule of the OTRP's Proportionate Share of the Net OPEB Liability

	Current Plan Year Plan Year Ended November 30 2018
OTRP's proportion of the net OPEB liability	0.00358 %
OTRP's proportionate share of the net OPEB liability	$ 388,762
OTRP's covered employee payroll	$ 481,554
OTRP's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	80.73 %
Plan fiduciary net position as a percentage of total OPEB liability	54.14 %

November 30, 2018

Claims Development Information

The table on the following page illustrates how OTRP's earned revenue (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by 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 the 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 mature, 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.

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

November 30, 2018

	Policy Year Ended November 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.	Required contributions and investment income:										
	Earned	$ 8,572,809	$ 4,366,408	$ 4,076,363	$ 6,088,200	$ 4,745,694	$ 4,734,688	$ 4,191,105	$ 4,847,437	$ 4,195,910	$ 4,170,878
	Ceded	1,903,143	1,745,458	1,342,127	1,488,322	1,462,971	1,464,770	1,414,270	1,138,499	1,104,769	1,170,700
	Net	6,669,666	2,620,950	2,734,236	4,599,878	3,282,723	3,269,918	2,776,835	3,708,938	3,091,141	3,000,178
2.	Expenses other than allocated claim adjustment expenses	771,596	692,438	792,485	748,051	855,077	911,484	846,614	879,793	1,105,675	1,199,801
3.	Estimated claims and allocated claim adjustment expenses - End of policy year:										
	Incurred	1,021,592	860,745	1,247,281	1,204,024	2,167,716	1,277,737	1,549,466	1,776,025	1,677,935	3,315,673
	Ceded	10,000	-	-	-	-	-	209,964	-	-	-
	Net	1,011,592	860,745	1,247,281	1,204,024	2,167,716	1,277,737	1,339,502	1,776,025	1,677,935	3,315,673
4.	Cumulative paid claims and allocated claim adjustment expenses:										
	End of policy year	350,020	124,994	287,117	412,826	588,443	412,022	150,264	69,420	413,432	360,782
	One year later	501,544	240,902	501,161	1,091,436	999,438	503,600	843,500	192,477	719,766	-
	Two years later	552,938	278,524	660,798	1,314,138	1,862,829	613,223	1,162,955	593,913	-	-
	Three years later	634,709	343,627	728,632	1,512,664	2,244,136	719,755	1,212,366	-	-	-
	Four years later	642,244	344,145	730,687	1,853,159	2,243,560	720,345	-	-	-	-
	Five years later	642,244	344,145	730,687	1,853,311	2,243,560	-	-	-	-	-
	Six years later	635,343	344,145	730,687	1,853,311	-	-	-	-	-	-
	Seven years later	642,244	344,145	730,687	-	-	-	-	-	-	-
	Eight years later	642,244	344,145	-	-	-	-	-	-	-	-
	Nine years later	642,244	-	-	-	-	-	-	-	-	-
5.	Re-estimated ceded claims and expenses	-	6,900	-	-	-	-	209,937	-	-	-
6.	Re-estimated incurred claims and allocated claim adjustment expenses:										
	End of policy year	1,011,592	860,745	1,247,281	1,204,024	2,097,716	1,277,737	1,339,502	1,776,025	1,677,935	3,315,673
	One year later	773,806	450,340	768,635	1,508,338	2,143,152	887,370	1,773,430	1,750,027	1,300,937	-
	Two years later	643,609	376,839	813,024	1,558,504	2,287,517	760,533	2,325,877	717,270	-	-
	Three years later	640,544	345,452	763,730	1,562,262	2,255,510	744,089	2,138,691	-	-	-
	Four years later	642,244	344,145	731,358	1,853,159	2,249,174	720,345	-	-	-	-
	Five years later	642,244	344,145	730,687	1,853,311	2,245,991	-	-	-	-	-
	Six years later	642,244	344,145	730,687	1,853,311	-	-	-	-	-	-
	Seven years later	642,244	344,145	730,687	-	-	-	-	-	-	-
	Eight years later	672,244	344,145	-	-	-	-	-	-	-	-
	Nine years later	642,244	-	-	-	-	-	-	-	-	-
7.	Change in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	(369,348)	(516,600)	(516,594)	649,287	78,275	(557,392)	799,189	(1,058,755)	(376,998)	-

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

Fiscal and Policy Years Ended November 30, 2018, 2017, and 2016

	2018			2017			2016		
	Casualty	Property	Total	Casualty	Property	Total	Casualty	Property	Total
Reserve for Unpaid Claims and Claims Adjustment Expenses - Beginning of fiscal year	$ 2,842,654	$ 1,172,269	$ 4,014,923	$ 2,384,166	$ 411,053	$ 2,795,219	$ 1,648,170	$ 399,797	$ 2,047,967
Incurred claims and claims adjustment expenses:									
Provision for insured events of the current fiscal year	2,016,245	1,299,428	3,315,673	657,590	1,020,345	1,677,935	1,744,657	31,368	1,776,025
Change in provision for insured events of prior fiscal years	(1,137,372)	(486,496)	(1,623,868)	416,964	86,858	503,822	313,141	252,166	565,307
Total incurred claims and claims adjustment expenses	878,873	812,932	1,691,805	1,074,554	1,107,203	2,181,757	2,057,798	283,534	2,341,332
Payments:									
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	127,369	233,413	360,782	162,026	251,406	413,432	38,052	31,368	69,420
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	607,685	150,086	757,771	454,040	94,581	548,621	1,283,750	240,910	1,524,660
Total payments	735,054	383,499	1,118,553	616,066	345,987	962,053	1,321,802	272,278	1,594,080
Reserve for Unpaid Claims and Claims Adjustment Expenses - End of fiscal year	**$ 2,986,473**	**$ 1,601,702**	**$ 4,588,175**	**$ 2,842,654**	**$ 1,172,269**	**$ 4,014,923**	**$ 2,384,166**	**$ 411,053**	**$ 2,795,219**

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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 Trustees
Ohio Transit Risk Pool - Medina County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Transit Risk Pool - Medina County (OTRP), which comprise the statement of net position as of November 30, 2018 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OTRP'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 the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OTRP'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.*

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

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 & Moran, PLLC

May 24, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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 2, 2019

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