

OHIO TRANSIT RISK POOL MEDINA COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2021



Rea & associates

www.reacpa.com

**OHIO TRANSIT RISK POOL
MEDINA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2021

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Independent Auditor's Report

Board of Directors
Ohio Transit Risk Pool
One Park Centre Drive
Wadsworth, Ohio 44281

Report on the Financial Statements

Opinion

We have audited the financial statements of Ohio Transit Risk Pool, Medina County, Ohio, (OTRP) as of and for the fiscal year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise OTRP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the of the Ohio Transit Risk Pool, Medina County, Ohio, as of November 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the OTRP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the OTRP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Audit Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 OTRP's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the OTRP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information as listed in the table of contents, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 supplementary 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 August 15, 2022 on our consideration of the OTRP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the OTRP's 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 the OTRP's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
August 15, 2022

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis

This section of Ohio Transit Risk Pool – Medina County's (OTRP) annual financial report presents our discussion and analysis of OTRP's financial performance during the fiscal year ended November 30, 2021. 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 2021. 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.

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." The other post-employment benefits (OPEB) is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for employment benefits other than pensions." For some reasons discussed below, many end users of this financial statement will gain a clearer understanding of OTRP's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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.

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis (Continued)

GASB 68 requires the net pension liability to equal 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 benefits

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, the OTRP's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

The net Other Post-Employment Benefits (OPEB) liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents OTRP's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis (Continued)

Ohio Revised Code limits OTRP's obligation for this liability to annually required payments. OTRP cannot control benefit terms or the manner in which OPEB are financed; however, OTRP does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB (asset) on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Financial Highlights

During 2021, OTRP's financial activities were highlighted by the following significant events:

Financial Position:

- As of November 30, 2021, many liabilities have been resolved, but claim payments are variable and always impact OTRP's financial position. Overall, the number of open claims decreased from 156 to 80 at fiscal year-end. Total reserves have decreased from \$3,797,460 at November 30, 2020 to \$2,790,681 at November 30, 2021. Most of the reserves remain in 2020 and 2021 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 member risk management program.
- During 2021, distributions to members in the form of interest earned on the Shock Loss Fund were made totaling \$221,900. No returns were made from the Shock Loss Fund.
- As of November 30, 2021, OTRP held member receivables of \$459,785.

Capitalization Funding:

- All OTRP members carried a fully funded Shock Loss Fund, except for LCTB, TARTA, and SORTA which are all making agreed contributions towards their balance. 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.
- Although the policy only allows removal of excess Shock Loss Contributions under extraordinary circumstances and Board of Trustees approval, all Shock Loss Excess Contributions are recorded as deferred revenue liability as of November 30 of each fiscal year and are reflected on the balance sheet accordingly. This is a change from prior years which booked a portion of the funds as liabilities associated with specific loss years over time. This change is a more conservative position and is a clearer representation of potential liabilities for the future.

Ohio Transit Risk Pool – Medina County

• Management's Discussion and Analysis (Continued)

- During 2021, OTRP performed a surplus study to assure that target funding and capitalization is occurring.

Membership Activity:

- During 2021, OTRP added Greater Dayton Regional Transit Authority (GDRTA) for the 2021-22 coverage year bringing the total number of members to 15.
- OTRP offered members flexible liability deductible options tailored to their individual needs, ranging from \$1,000 per occurrence to \$1,000,000 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 \$10,000 per-occurrence liability deductible and Southwest Ohio Regional Transit Authority (SORTA) selected a \$1,000,000 per-occurrence liability deductible.

Coverage:

- As of fiscal year ends 2021 and 2020, all members participate in all lines of coverage except for SORTA who only participated in liability and APT and LFPT who only participate is Auto Physical Damage.Coverage:

Significant self-insurance or retentions supported by actuarial confidence included the first \$2,000,000 for each liability occurrence, various sub-limits apply. Additionally, beginning in 2019 OTRP provided \$2,500,000 under a specific per occurrence schedule for over-the-road auto physical damage.

During 2021 and 2020, OTRP continued to participate in Transit Reinsurance Limited (TRL), a captive insurance company domiciled in the State of Vermont. 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 fiscal years ending November 30, 2021 and 2020

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:

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis (Continued)

		November 30	
		2021	2020
Condensed Statement of Net Position			
Assets			
Cash and short-term investments	\$ 5,556,247	\$ 6,513,745	
Other assets	539,966	384,572	
Total Current Assets	6,096,213	6,898,317	
Long-term assets:			
Investments	7,834,301	7,816,900	
Net OPEB Asset	67,362	-	
Capital assets - Net of depreciation	67,444	57,376	
Total Assets	14,065,320	14,772,593	
Deferred Outflows of Resources			
Pension	108,285	114,094	
OPEB	33,116	77,805	
Total Deferred Outflows of Resources	141,401	191,899	
Liabilities			
Current	2,246,564	2,294,491	
Long term	6,566,572	8,125,492	
Total Liabilities	8,813,136	10,419,983	
Deferred Inflows of Resources			
Pension	241,118	130,496	
OPEB	205,817	69,970	
Total Deferred Inflows of Resources	446,935	200,466	
Net Position			
Invested in capital assets	67,444	57,376	
Unrestricted	4,879,205	4,286,667	
Total Net Position	\$ 4,946,649	\$ 4,344,043	

- Total OTRP revenue (net of reinsurance/excess insurance premiums) increased to \$4,223,025 in 2021 from \$3,845,112 in 2020.

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis (Continued)

	November 30	
	2021	2020
Condensed Statement of Changes in Net Position		
Changes in Net Position		
Total Operating Revenue	\$ 4,223,025	\$ 3,845,112
Operating Expenses		
Claims and claims adjustment expenses	(2,475,608)	(642,808)
Administrative Expenses	(955,114)	(1,262,387)
Total Operating Expenses	(3,430,722)	(1,905,195)
Operating (Loss) Income	792,303	1,939,917
Nonoperating Revenue (Expense)		
Investment earnings and realized and unrealized gains and losses on investments	258,797	247,761
(Loss) on disposal of fixed assets	(226,594)	-
Distributions to members	(221,900)	(483,400)
Total Nonoperating Expenses	(189,697)	(235,639)
Increase / (Decrease) in Net Position	\$ 602,606	\$ 1,704,278

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 decreased by 1,285,729, while long-term assets decreased by \$802,104 between 2020 and 2021. These changes were caused by the resolution of significant claims.
- OTRP's liabilities decreased from 2020 to 2021 by 1,606,847. The decrease in liabilities is primarily attributable to the resolution of significant claims from prior years. There were no liabilities in the current year for members unearned contributions related to (LY27) 2022.
- The difference between assets and liabilities, or "net position," increased from 2020 to 2021 by \$602,606. The increase is attributable to decreases in pension liabilities and favorable resolution of claims.
- OTRP operating expenses increased \$1,525,527 from 2020 to 2021 due to an increase in claims expense.

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis (Continued)

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	Fiscal Year to Date Actual	Budget Versus Actual - Positive (Negative)
Operating Revenue			
Membership contributions	\$ 5,033,652	\$ 5,516,916	\$ 483,264
Other operating income	281,005	270,087	(10,918)
Less reinsurance/excess insurance premiums	(1,447,793)	(1,563,978)	(116,185)
Total Operating Revenue	3,866,864	4,223,025	356,161
Operating Expenses			
Claims and claims adjustment expenses	(2,613,176)	(2,475,608)	137,568
Professional fees and other	(162,500)	(189,470)	(26,970)
Pool operations	(167,508)	(150,442)	17,066
Salaries and employee benefits	(923,680)	(602,336)	321,344
Depreciation	-	(12,866)	(12,866)
Total Operating Expenses	(3,866,864)	(3,430,722)	436,142
Nonoperating Revenue (Expenses)			
Net investment income	135,000	32,203	(102,797)
Distribution to members	(135,000)	(221,900)	(86,900)
Total Non-operating Revenue (Expenses)	-	(189,697)	(189,697)
Change in Net Position	\$ -	\$ 602,606	\$ 602,606

Ohio Transit Risk Pool – Medina County

Management's Discussion and Analysis (Continued)

The following is an explanation of the significant variances of the budget to actual for 2021:

- 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 other than claims expenses were slightly under 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 \$226,594 in realized/unrealized losses from the overall investment program, which has been added to net investment income for this budget presentation.
- Distributions relating to specific loss years occurs 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 were made in 2021.

Capital Assets

At year-end, the Pool had 67,444 in capital assets, net of depreciation. This amount represents an increase of 10,068 over the prior year. For more information on capital assets, see Note 5 of the financial statements.

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.

Ohio Transit Risk Pool - Medina County

Statement of Net Position

November 30, 2021

	November 30, 2021
ASSETS	
Current Assets:	
Cash (Note 3)	\$ 2,556,044
Investments - Fixed Income (Note 3)	\$ 3,000,203
Accounts Receivable	\$ 468,393
Prepaid expense and other assets	\$ 71,573
Total Current Assets	\$ 6,096,213
Noncurrent Assets:	
Investments (Note 3)	\$ 7,834,301
Net OPEB Asset	\$ 67,362
Capital assets - Net of depreciation (Note 5)	\$ 67,444
Total Noncurrent Assets	\$ 7,969,107
Total Assets	\$ 14,065,320
Deferred Outflows of Resources (Note 13)	
Pension	\$ 108,285
OPEB	\$ 33,116
Total Deferred Outflows of Resources	\$ 141,401
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 40,232
Current portion of reserves for unpaid claims	\$ 928,000
claims adjustment expense (Note 6)	
Accrued compensation	\$ 27,319
Members' payable (Note 9)	\$ 1,251,013
Total Current Liabilities	\$ 2,246,564
Noncurrent Liabilities:	
Reserves for unpaid claims and claims adjustment	
expense - net of current portion (Note 6)	\$ 1,862,681
Net Pension Liability	\$ 516,945
Deferred Revenue	\$ 4,186,946
Total Noncurrent Liabilities	\$ 6,566,572
Total Liabilities	\$ 8,813,136
Deferred Inflows of Resources (Note 13)	
Pension	\$ 241,118
OPEB	\$ 205,817
Total Deferred Inflows of Resources	\$ 446,935
Equity	
Net Position:	
Net investment in capital assets	\$ 67,444
Unrestricted	\$ 4,879,206
Total Net Position	\$ 4,946,650

Ohio Transit Risk Pool - Medina County

Statement of Revenue, Expenses, and Changes in Net Position

November 30, 2021

	Year Ended November 30 2021
Operating Revenue	
Member contributions	\$ 5,516,916
Less reinsurance premiums expense	\$ (1,563,978)
Other operating income	\$ 270,087
Total Operating Revenue	<u>\$ 4,223,025</u>
Operating Expense	
Provision for claims (Note 6):	
Paid	\$ 3,482,387
Changes in reserve for claims	<u>\$ (1,006,779)</u>
Total Claims	\$ 2,475,608
Salary, wages and fringe benefits	\$ 602,336
Professional fees and other	\$ 189,470
Pool operations	\$ 150,442
Depreciations (Note 5)	<u>\$ 12,866</u>
Total Operating Expense	<u>\$ 3,430,722</u>
Operating Income	\$ 792,303
Non-operating Revenue (Expense)	
Interest and dividend income	\$ 258,797
Realized and unrealized gain on investments	\$ (226,594)
Distribution to members	<u>\$ (221,900)</u>
Total Non-operating Expenses	<u>\$ (189,697)</u>
Change in Net Position	\$ 602,606
Net Position - Beginning of year	<u>\$ 4,344,043</u>
Net Position - End of year	<u><u>\$ 4,946,649</u></u>

Ohio Transit Risk Pool - Medina County

Statement of Cash Flows

For the Year Ended November 30, 2021

	2021
<u>Cash Flow From Operating Activities</u>	
Cash Received from Members	\$5,896,926
Cash Paid for Claims	(3,484,708)
Cash Paid for Reinsurance Premiums	(1,514,849)
Cash Paid for Administrative and General Expenses	(1,723,500)
Other Income	88,327
Net Cash Provided by Operating Activities	<u>(737,804)</u>
<u>Cash Flow From Capital Financing Activities</u>	
Distributions to Members	(182,052)
Purchase of Capital Assets	<u>(25,014)</u>
Net Cash (Used for) Capital Financing Activities	(207,066)
<u>Cash Flow From Investing Activities</u>	
Investment Income Received	382
Purchase of Investments	(4,281,399)
Proceeds from Sales and Maturities of Investments	<u>4,639,264</u>
Net Cash (Used for) Investing Activities	358,247
Net Increase in Cash and Cash Equivalents	(586,623)
Cash and Cash Equivalents, Beginning of Year	<u>3,142,667</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,556,044</u></u>
Reconciliation of Operating Income to Net Cash	
<u>Provided by Operating Activities</u>	
Operating Income	\$792,303
Depreciation	12,866
Loss on Disposal of Capital Asset	2,079
Changes in Assets and Liabilities:	
Accounts Receivable	(154,616)
Prepaid Expenses	(56,923)
Accounts Payable	27,003
Accrued Wages and Payroll Taxes	4,646
Reserves for Claims	(1,006,779)
Net Pension Liability	<u>(358,383)</u>
Net Cash Provided by Operating Activities	<u><u>(\$737,804)</u></u>

See accompanying notes to the basic financial statements

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, 2019 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 January 1, 2019, OTRP added Licking County Transit Board (LCT) on a pro-rated membership for 2019. During 2020, OTRP added Lancaster Fairfield Public Transit (LFPT), and Southwest Ohio Regional Transit (SORTA) pro-rated effective January 1, 2020 and Ashland Public Transit (APT) pro-rated effective February 1, 2020. During 2021, added Greater Dayton Regional Transit Authority (GDRTA) pro-rated effective 12/1/2021.

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 2020, all members participate in all of the OTRP programs except for SORTA who does not participate in the property and APT and LFPT who participate in APD only.

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-insured 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 Boards, 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.

Note 2 - Significant Accounting Policies (Continued)***Cash and Cash Equivalents***

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

Investments

Investments consist of U.S. Treasury securities, U.S. agencies and passthroughs, long-term certificates of deposit, state and local municipal bonds, and corporate bonds, which are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net position. The board of trustees has established investment policies with the fundamental objectives of preserving capital in the investment portfolio, remaining sufficiently liquid to enable OTRP to meet its cash flow requirements, and attaining a market rate of return on the investments consistent prudent investment practices and within the risk limitations provided for in OTRP's cash and investment policy.

Accounts Receivable

Receivables from members are stated at net invoice amounts. Receivables for deductibles are based on the applicable treaty. Collectability 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

- a. 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 SORTA, which reserves its claims individually up to its deductible of \$1,000,000. 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 claim's 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 can assess the members for supplemental contributions.

Capital Assets

Capital assets, which consist of automobiles, leasehold improvements, 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.

Note 2 - Significant Accounting Policies (Continued)***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 60 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.

Deferred Revenue

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

Shock Loss Fund

In addition to the member contributions, OTRP members will contribute to the Shock Loss Fund (the "SLF") based on an amount determined each year to be equal to their annual 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. Any Shock Loss Funds in excess of a members required contribution will be posted as deferred revenue as of November 30th each year.

Net Position

Net position represents the difference between assets plus deferred outflow of resource plus deferred inflow of resources and liabilities in the statement of net position. Net position is reported as unrestricted, net 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 2021, the board declared dividends, including distributions of interest on SLF, totaling \$218,189.

Claims Deductible

The individual members are responsible for their deductibles. For those members participating in commercial property coverage, each individual member has a \$1,000 deductible per occurrence. For those members participating in cyber coverage, each individual member has a \$1,000 deductible per occurrence. For those members participating in 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 2021 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 2021 loss year, Metro RTA carried a \$5,000 per occurrence deductible for liability, TARTA carried a \$10,000 deductible per occurrence for liability and SORTA carried a \$1,000,000 deductible per occurrence for liability. All other members carried a \$1,000 deductible for liability.

Note 2 - Significant Accounting Policies (Continued)***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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 (expense) until then. The government deferred outflows of resources related to the net pension liability, as described in Note 13.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 deferred inflows of resources related to the net pension liability, as described 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, as described in Note 6.

November 30, 2021

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

The 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, 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. 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, 2021, OTRP has designated JPMorgan Chase Bank for deposit of its cash. Financial Advisory Corporation acts as the investment portfolio manager.

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

Deposits

Cash and cash equivalents include operating checking accounts and money market funds. Cash and cash equivalents totaled \$2,556,044 at November 30, 2021. At November 30, 2021 long-term certificates of deposit totaled \$116,481. At November 30, 2021 short-term certificates of deposit totaled \$0.

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, 2021, OTRP had \$2,056,044 in bank deposits that were uninsured and uncollateralized.

November 30, 2021

Note 3 - Deposits and Investments (Continued)**Investments**

Investments are reported at fair value. At November 30, 2021 OTRP had the following investments:

	Fair Value
	2021
U.S. Treasury securities	\$ 1,344,594
U.S. agencies and pass-throughs	1,466,398
State and local municipal bonds	-
Corporate bonds	6,772,691
Mutual funds	1,134,345
Total	<u>\$ 10,718,028</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the custodian, OTRP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of November 30, 2021 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.

At November 30, 2021 OTRP had the following investments subject to interest rate risk:

		2021
Investment	Carrying Value	Weighted-average Maturity (Years)
U.S. Treasury securities	\$ 1,344,594	2.43
U.S. agencies and pass-throughs	1,466,398	3.15
State and local municipal bonds	-	-
Corporate bonds	6,772,691	2.63
Mutual funds	1,134,345	N/A
Total	<u>\$ 10,718,028</u>	

Note 3 - Deposits and Investments (Continued)**Credit Risk**

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

At November 30, 2021, 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	\$ 1,344,594	AA+	S&P
Total	<u>\$ 1,344,594</u>		
Corporate bonds	254,453	AAA	S&P
	487,244	AA+	S&P
	626,641	AA	S&P
	1,545,095	AA-	S&P
	3,596,586	A+	S&P
	105,753	A	S&P
	156,919	A-	S&P
Total	<u>\$ 6,772,691</u>		

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 no investments that individually exceeded 5 percent of OTRP's total investments at November 30, 2021.

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.

November 30, 2021

Note 4 - Fair Value Measurements (Continued)

OTRP has the following recurring fair value measurements as of November 30, 2021:

	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	\$ 1,344,594	\$ -	\$ -
U.S. agencies and pass-throughs	-	1,466,398	-
State and local municipal bonds	-	-	-
Corporate bonds	-	6,772,691	-
Mutual funds	-	1,134,345	-
Total debt securities	1,344,594	9,373,434	-
Certificate of deposit	-	116,437	-
Total investments by fair value	<u>\$ 1,344,594</u>	<u>\$ 9,489,871</u>	<u>\$ -</u>

U.S. Treasury securities 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:

	2021
Transportation equipment	\$ 40,520
Computer equipment and software	<u>39,012</u>
Leasehold Improvements	36,996
Total cost	116,528
Less accumulated depreciation	<u>49,084</u>
Net carrying amount	<u>\$ 67,444</u>

Total depreciation expense was \$12,866 for November 30, 2021.

November 30, 2021

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, 2021 and 2020 is as follows:

	2021	2020
Reserve for unpaid claims and claims adjustment expenses Beginning of year	\$ 3,797,460	\$ 4,540,757
Incurring claims and claims adjustment expenses:		
Provisions for incurred claims in current year	2,284,141	1,332,342
Change in provision for claims incurred in prior years	<u>(201,814)</u>	<u>(894,101)</u>
Total incurred claims and claims adjustment expenses	2,082,327	438,241
Payments:		
Claims and claims adjustment expenses paid for claims incurred in the fiscal year	287,666	341,551
Claims and claims adjustment expenses paid for claims incurred in prior years	<u>2,801,440</u>	<u>839,987</u>
Total payments	<u>3,089,106</u>	<u>1,181,538</u>
Reserve for unpaid claims and claims adjustment expenses End of year	<u>\$ 2,790,681</u>	<u>\$ 3,797,460</u>

All other loss years are developing within expected range. These developments primarily related to claims settling for amounts different than originally estimated.

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 2021, OTRP's per occurrence retention for auto physical damage on site was \$250,000 and the per occurrence retention for commercial property damage was \$100,000. OTRP's per occurrence retention for auto physical damage over the road is \$2,500,000. OTRP's per occurrence retention for liability claims (including auto liability, public officials' liability, and general liability) was \$2,000,000 at November 30, 2021. OTRP's per occurrence retention for crime and fidelity coverage was \$100,000 at November 30, 2021. OTRP's per occurrence retention for boiler and machinery was \$50,000 at November 30, 2021. OTRP's per occurrence retention for cyber was \$500,000 at November 30, 2021. 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, 2021, OTRP purchased the following types of reinsurance and/or excess insurance contracts in excess of self-insured retentions described above:

Policy	Amount
Commercial property	\$ 250,000,000
Auto physical damage	100,000,000
Auto physical damage over the road	2,500,000
Boiler	100,000,000
Flood (various zones excluded)	25,000,000
Earthquake	50,000,000
General liability	10,000,000
Automobile liability (including transit)	10,000,000
Public official liability	10,000,000
Employee dishonesty - Crime	4,000,000
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.

November 30, 2021

Note 8 - Reinsurance Agreements (Continued)

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, 2021 totaled \$1,251,013.

Note 10 - Line of Credit

OTRP has a secured line of credit with JPMorgan Chase Bank with a maximum availability of \$700,000, which expired July 17, 2020. The line of credit was renewed with a maximum availability of \$500,000 on August 17, 2020 and will expire August 17, 2022. Borrowings under the line of credit bear interest at the adjusted LIBOR (the "note rate") and at the rate of 3.00 percent per annum above the note rate (an effective rate of 7.099 percent at November 30, 2021). OTRP had no amounts outstanding under the line of credit at November 30, 2020 or 2019. 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 October 2021, the letter was amended to extend the original date of expiration to October 21, 2022. At November 30, 2021, 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 which expired on November 30, 2020 and was renewed through November 30, 2025. Total rent expense under this lease was \$50,963 for the fiscal year ended November 30, 2021.

Future minimum rental commitments are as follows:

Years Ending November 30	Amount
2022	<u>50,963</u>
2023	<u>50,963</u>
2024	<u>50,963</u>
2025	<u>50,963</u>
Total	<u>\$ 203,852</u>

Note 13 – Employee Benefit Plans**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions -- between an employer and its employees -- of salaries and benefits for employee services. Pensions are provided to an employee -- on a deferred-payment basis -- as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents OTRP's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits OTRP's obligation for this liability to annually required payments. OTRP cannot control benefit terms or the manner in which pensions are financed; however, OTRP does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Note 13 – Employee Benefit Plans (Continued)

The proportionate share of each plans' unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - OTRP employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. OTRP employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Note 13 – Employee Benefit Plans (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. OTRP's contractually required contribution was \$91,605 for 2021. Of this amount, \$15,067 is reported as a payable.

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

The net pension liability for OPERS was measured as of December 31, 2020, 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 net pension liability was based on OTRP's share of contributions to the pension plan relative to the contributions of all participating entities.

Proportion of the Net Pension Liability:	
Current Measurement Date	0.003507%
Prior Measurement Date	0.003107%
Change in Proportionate Share	0.000400%
Proportionate Share of the Net Pension Liability	\$516,945
Pension Expense	\$ 19,895

November 30, 2021

Note 13 – Employee Benefit Plans (Continued)

At December 31, 2021, OTRP reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,130	\$ (22,723)
Change in assumptions	4,266	
Contributions made after measurement date	89,822	
Net difference between projected and actual earnings on pension plan investments		(218,395)
Changes in Proportionate Share & Difference between actual and proportionate share of contributions	13,067	
Total	<u>\$ 108,285</u>	<u>\$ (241,118)</u>

\$89,822 reported as deferred outflows of resources related to pension resulting from OTRP contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2021	\$85,220
2022	28,352
2023	82,350
2024	27,410
2025	(204)
Thereafter	(473)
Total	<u>\$222,655</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Note 13 – Employee Benefit Plans (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are present below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	.50 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described table.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

Note 13 – Employee Benefit Plans (Continued)

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. 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.

Sensitivity to OTRP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents OTRP's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what OTRP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	\$988,511	\$516,945	\$124,849

Defined Benefit OPEB Plans**Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents OTRP's proportionate share of each OPEB Plan's collective actuarial present value of projected benefit payments attributable to past period of service, net of each OPEB plan's fiduciary net position.

Note 13 – Employee Benefit Plans (Continued)

The net OPEB liability calculation is dependent on critical long-term variables, included estimated average life expectancies, earnings on investments, costs of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits OTRP's obligation for this liability to annually required payments. OTRP cannot control benefit terms or the manner in which OPEB are financed; however, OTRP does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is present as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplement plan with the assistance of the OPERS Medicare connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA.

For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insurance program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

Note 13 – Employee Benefit Plans (Continued)

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by Systems' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contribution rate was 14.00 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member- Directed Plan for 2021 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. OTRP's contractually required contribution was \$0 for 2021.

November 30, 2021

Note 13 – Employee Benefit Plans (Continued)***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OTRP's proportion of the net OPEB liability was based on OTRP's share of contributions to the retirement plan relative to the contributions of all participating entities.

Proportion of the Net Pension Asset:	
Current Measurement Date	0.003781%
Prior Measurement Date	0.003558%
Change in Proportionate Share	0.000223%
Proportionate Share of the Net Pension Asset	\$ 67,362
Pension Expense	\$ 378,278

At December 31, 2021, OTRP reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ (60,793)
Change in assumptions	33,116	(109,146)
Contributions made after measurement date	-	-
Net difference between projected and actual earnings on pension plan investments	-	(35,878)
Total	<u>\$ 33,116</u>	<u>\$ (205,817)</u>

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

Year Ending December 31:	OPERS
2021	\$90,167
2022	62,715
2023	15,591
2024	4,228
Total	<u>\$172,701</u>

Note 13 – Employee Benefit Plans (Continued)**Actuarial Assumptions – OPEB**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.00 percent
Health Care Cost Trend Rate	8.5 percent initial, 3.5 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

Note 13 – Employee Benefit Plans (Continued)

The long-term rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trusts	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

November 30, 2021

Note 13 – Employee Benefit Plans (Continued)

Sensitivity to OTRP's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table represents OTRP's proportionate share of the net OPEB liability calculated using the single discount rate of 6.00 percent, as well as what OTRP's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease ▼ (5.00%)	Current Discount Rate (6.00%)	1% Increase ▲ (7.00%)
Authority's proportionate share of the net OPEB asset	(\$16,750)	(\$67,362)	(\$108,968)

Sensitivity to OTRP's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table represents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB asset	(\$69,003)	(\$67,362)	(\$65,525)

Note 14 – Covid-19 Note

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of OTRP. The impact on OTRP's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Management believes there are no pending claims or lawsuits.

Required Supplemental Information

Ohio Transit Risk Pool - Medina County

Required Supplemental Information

Schedule of Pension Contributions

Ohio Public Employees Retirement System of Ohio

Last Eight Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	\$91,605	\$80,065	\$75,158	\$72,705	\$62,602	\$49,341	\$48,920	\$45,474	\$53,438
Contributions in Relation to the Contractually Required Contributions	(91,605)	(80,065)	(75,158)	(72,705)	(62,602)	(49,341)	(48,920)	(45,474)	(53,438)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTRP Covered-Employee Payroll	\$654,321	\$571,893	\$536,843	\$519,322	\$481,554	\$411,175	\$407,667	\$378,950	\$411,062
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

Ohio Transit Risk Pool - Medina County

Required Supplemental Information

Schedule of OTRP's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System of Ohio

Last Six Years (1)

	2021	2020	2019	2018	2017	2016	2015
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Plan year end							
Traditional Plan							
OTRP's Proportion of the Net Pension Liability	0.003507%	0.003107%	0.002978%	0.003004%	0.002645%	0.002676%	0.002656%
OTRP's Proportionate Share of the Net Pension Liability	\$516,945	\$613,481	\$815,614	\$470,569	\$600,627	\$463,510	\$320,365
OTRP's Covered-Employee payroll	\$571,893	\$536,843	\$519,322	\$481,554	\$411,175	\$407,667	\$378,950
OTRP's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	90.39%	114.28%	157.05%	97.72%	146.08%	113.70%	84.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.91%	84.85%	77.38%	81.19%	86.45%

(1) Pension information prior to 2014 not available

Ohio Transit Risk Pool - Medina County

Required Supplemental Information

Schedule of OPEB Contributions

Ohio Public Employees Retirement System of Ohio Last Five Years (1)

	2021	2020	2019	2018	2017	2016
Contractually Required Contributions	\$0	\$0	\$0	\$206	\$4,912	\$8,388
Contributions in Relation to the Contractually Required Contributions	0	0	0	(206)	(4,912)	(8,388)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$654,321	\$564,491	\$536,843	\$519,322	\$481,554	\$411,175
Contributions as a percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.04%	1.02%	2.04%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

Ohio Transit Risk Pool - Medina County

Required Supplemental Information

Schedule of OTRP's Proportionate Share of the Net OPEB Liability/(Asset)

Ohio Public Employees Retirement System of Ohio Last Four Years (1)

	2021	2020	2019	2018	2017
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Plan year end					
Traditional Plan					
OTRP's Proportion of the Net OPEB Liability/(Asset)	0.00378%	0.00356%	0.00358%	0.00358%	0.00308%
OTRP's Proportionate Share of the Net OPEB Liability/(Asset)	(\$67,362)	\$491,452	\$466,747	\$388,762	\$311,090
OTRP's Covered-Employee payroll	\$654,321	\$536,843	\$519,322	\$481,554	\$411,175
OTRP's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-10.29%	91.54%	89.88%	80.73%	75.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	115.57%	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

An additional column will be added each year.

(2) Amounts presented for each year were determined as of the Authority's measurement date which is the prior year end.

NOTE 1 – NET PENSION LIABILITY

Changes in Assumptions - OPERS

For calendar year 2021, there were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

Changes in Benefit Terms – OPERS

For calendar year 2021, there were no changes benefit terms for this period.

NOTE 2 – NET OPEB LIABILITY

Changes in Assumptions - OPERS

For calendar year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent.
- The municipal bond rate decreased from 2.75 percent to 2.00 percent.
- The initial health care cost trend rate decreased from 10.5 percent to 8.5 percent.

Changes in Benefit Terms – OPERS

For calendar year 2021, there were no changes to benefit terms for this period.

Ohio Transit Risk Pool - Medina County

Claims Development Information

November 30, 2021

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 the 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.

Ohio Transit Risk Pool - Medina County

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

November 30, 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
(1) Required Premiums and Investment Revenue:										
Earned	\$ 6,088,200	\$ 4,745,694	\$ 4,734,688	\$ 4,191,105	\$ 4,847,437	\$ 4,195,910	\$ 4,170,878	\$ 6,679,601	\$ 5,345,441	\$ 6,045,800
Ceded	<u>1,488,322</u>	<u>1,462,971</u>	<u>1,464,770</u>	<u>1,414,270</u>	<u>1,138,499</u>	<u>1,104,769</u>	<u>1,170,700</u>	<u>1,171,532</u>	<u>1,252,568</u>	<u>1,563,978</u>
Net earned	4,599,878	3,282,723	3,269,918	2,776,835	3,708,938	3,091,141	3,000,178	5,508,069	4,092,873	4,481,822
(2) Unallocated Expenses	748,051	855,077	911,484	846,614	879,793	1,105,675	1,199,801	1,425,342	1,262,387	955,144
(3) Estimated Claims and Expenses - End of policy year:										
Incurred	1,204,024	2,167,716	1,277,737	1,549,466	1,776,025	1,677,935	3,315,673	1,765,509	1,332,342	2,284,141
Ceded	-	-	-	<u>209,964</u>	-	-	-	-	-	-
Net incurred	1,204,024	2,167,716	1,277,737	1,339,502	1,776,025	1,677,935	3,315,673	1,765,509	1,332,342	2,284,141
(4) Net Paid (Cumulative) as of										
End of policy year	412,826	588,443	412,022	150,264	69,420	413,732	360,782	463,139	341,551	287,666
One year later	1,091,436	999,438	503,600	843,500	192,477	719,766	733,440	891,764	429,660	-
Two years later	1,314,138	1,862,829	613,223	1,162,955	593,913	872,471	952,497	2,322,594	-	-
Three years later	1,512,664	2,244,136	719,755	1,212,366	597,166	991,930	1,371,852	-	-	-
Four years later	1,853,159	2,243,560	720,345	1,273,863	597,353	1,030,481	-	-	-	-
Five years later	1,853,311	2,243,560	720,345	1,117,263	597,378	-	-	-	-	-
Six years later	1,853,311	2,243,560	740,928	2,350,899	-	-	-	-	-	-
Seven years later	1,853,311	2,243,560	751,787	-	-	-	-	-	-	-
Eight years later	1,853,311	2,243,560	-	-	-	-	-	-	-	-
Nine years later	1,853,311	-	-	-	-	-	-	-	-	-
(5) Re-estimated Ceded Claims and Expenses	-	-	-	209,937	-	-	-	-	-	-
(6) Re-estimated Incurred Claims and Expenses:										
End of policy year	1,204,024	2,097,716	1,277,737	1,339,502	1,776,025	1,677,935	3,315,673	1,765,509	1,332,342	2,284,141
One year later	1,508,338	2,143,152	887,370	1,773,430	1,750,027	1,300,937	2,785,948	1,993,744	(132,632)	-
Two years later	1,558,504	2,287,517	760,533	2,325,877	717,270	1,125,985	1,419,521	1,482,391	-	-
Three years later	1,562,262	2,255,510	744,089	2,138,691	597,166	1,099,616	770,029	-	-	-
Four years later	1,853,159	2,249,174	720,345	2,195,100	597,379	923,419	-	-	-	-
Five years later	1,853,311	2,245,991	731,472	2,479,261	597,379	-	-	-	-	-
Six years later	1,853,311	2,243,825	761,827	1,021,374	-	-	-	-	-	-
Seven years later	1,853,311	2,243,560	769,511	-	-	-	-	-	-	-
Eight years later	1,853,311	2,243,560	-	-	-	-	-	-	-	-
Nine years later	1,863,311	-	-	-	-	-	-	-	-	-
(7) Change in Estimated Incurred Claims and Expenses From End of Policy Year	649,287	75,844	(508,226)	(318,127)	(1,178,646)	(754,516)	(2,545,644)	(283,118)	(1,464,974)	-

Ohio Transit Risk Pool - Medina County

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

November 30, 2021

	Fiscal and Policy Years Ended November 30								
	2021			2020			2019		
	Casualty	Property	Total	Casualty	Property	Total	Casualty	Property	Total
Reserves for claims and claims adjustment expenses - Beginning of fiscal year	\$ 1,925,921	\$ 1,871,539	\$ 3,797,460	\$ 2,848,469	\$ 1,692,288	\$ 4,540,757	\$ 2,986,473	\$ 1,601,702	\$ 4,588,175
Incurring claims and claims adjustment expenses:									
Provision for insured events of the current fiscal year	1,975,782	308,359	2,284,141	633,865	698,476	1,332,341	924,999	840,512	1,765,511
Change in provision for insured events of prior fiscal years	<u>(174,569)</u>	<u>(27,245)</u>	<u>(201,814)</u>	<u>(718,835)</u>	<u>(175,266)</u>	<u>(894,101)</u>	<u>(594,699)</u>	<u>(163,691)</u>	<u>(758,390)</u>
Total incurred claims and claims adjustment expenses	1,801,213	281,114	2,082,327	(84,969)	523,210	438,241	330,300	676,821	1,007,121
Payments:									
Claims and claims adjustment expenses attributable to insured events of the current year	248,831	38,835	287,666	162,249	179,301	341,550	99,867	363,272	463,139
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	<u>2,423,246</u>	<u>378,194</u>	<u>2,801,440</u>	<u>675,329</u>	<u>164,658</u>	<u>839,987</u>	<u>368,437</u>	<u>222,963</u>	<u>591,400</u>
Total payments	<u>2,672,077</u>	<u>417,029</u>	<u>3,089,106</u>	<u>837,578</u>	<u>343,960</u>	<u>1,181,538</u>	<u>468,304</u>	<u>586,235</u>	<u>1,054,539</u>
Reserve for claims and claims adjustment expenses - End of year	<u>\$ 1,055,057</u>	<u>\$ 1,735,624</u>	<u>\$ 2,790,681</u>	<u>\$ 1,925,922</u>	<u>\$ 1,871,538</u>	<u>\$ 3,797,460</u>	<u>\$ 2,848,469</u>	<u>\$ 1,692,288</u>	<u>\$ 4,540,757</u>

**Independent Auditor's 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***

Board of Directors
Ohio Transit Risk Pool
One Park Centre Drive
Wadsworth, Ohio 44281

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Transit Risk Pool, Medina County, Ohio (OTRP) as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise the OTRP's basic financial statements, and have issued our report thereon dated August 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OTRP's internal control over financial reporting (internal control) as a basis for designing 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 the OTRP's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the OTRP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associate, Inc.
Medina, Ohio
August 15, 2022