

**STATE HOUSING AUTHORITY
RISK POOL ASSOCIATION, INC.
ADAMS COUNTY**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED NOVEMBER 30, 2017**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
State Housing Authority Risk Pool Association, Inc.
401 E. Seventh Street
Manchester, Ohio 45144

We have reviewed the *Independent Auditor's Report* of the State Housing Authority Risk Pool Association, Inc., Adams County, prepared by James G. Zupka, CPA, Inc., for the audit period December 1, 2016 through November 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 26, 2018

This page intentionally left blank.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
Financial Statements:	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-14
Claims Development Information	15
Ratios	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Status of Prior Year's Audit Citations and Recommendations	19

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
State Housing Authority Risk Pool
Association, Inc.
Manchester, Ohio

The Honorable Dave Yost
Auditor of State
The State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the State Housing Authority Risk Pool Association, Inc., (SHARP), Adams County, Ohio as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Housing Authority Risk Pool Association, Inc., Adams County, Ohio as of November 30, 2017, and the respective changes in financial position, and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

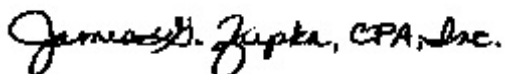
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Ten-Year Claims Development Information and Ratios*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2018, on our consideration of State Housing Authority Risk Pool Association, Inc.'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 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 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 SHARP's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

March 20, 2018

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(UNAUDITED)**

The discussion and analysis of the State Housing Authority Risk Pool Association, Inc. (SHARP) financial statements provides an overall review of SHARP's financial activities for the fiscal year ended November 30, 2017. The intent of this discussion and analysis is to look at SHARP's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of SHARP's financial performance.

FINANCIAL STATEMENTS

Key financial highlights for the fiscal year 2017 are as follows:

- SHARP's net financial position at November 30, 2017 was \$2,216,781.
- SHARP has hired an independent actuary, Financial Risk Analysts, LLC to determine the reserves for unpaid claims. Based upon the actuary's report, the reserves for unpaid claims was \$437,869 at November 30, 2017 compared to \$575,285 at November 30, 2016.
- SHARP had operating revenues from its members of \$2,549,278 and operating expenses of \$2,119,795 for the fiscal year. In addition, SHARP had \$78,886 in claim recoveries, \$165,186 in dividends from PERC and \$10,354 in investment income. These factors resulted in a net increase in the net position of \$528,559 for the fiscal year.

REPORTING OF FINANCIAL ACTIVITIES

The table below shows the changes in net position for the fiscal years ending November 30, 2017 and 2016.

Table 1 - Condensed Statement of Net Position Compared to Prior Year

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and Cash Equivalents	\$ 1,406,197	\$ 1,045,714
Investments	1,073,333	1,064,734
Members Receivables	13,199	0
Accounts Receivable	<u>165,186</u>	<u>155,350</u>
TOTAL ASSETS	<u><u>\$ 2,657,915</u></u>	<u><u>\$ 2,265,798</u></u>
Liabilities and Net Position:		
Reserve for Unpaid Claims	\$ 437,869	\$ 575,285
Accounts Payable	3,265	2,291
Net Position	<u>2,216,781</u>	<u>1,688,222</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,657,915</u></u>	<u><u>\$ 2,265,798</u></u>

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(UNAUDITED)

The total assets increased by \$392,117 or 17.3 percent. The loss reserve amount decreased by \$137,416, or 23.9 percent. The Pool also distributed \$155,350 in dividends. These factors resulted in the increase in net position of \$528,559, or 31.3 percent.

The table below shows the changes in net position for the fiscal years ending November 30, 2017 and 2016.

**Table 3 - Condensed Statement of Revenue, Expenses and Changes in Net Position
 Compared to Prior Year**

	2017	2016
<u>Revenues</u>		
Member Income	\$2,549,278	\$2,504,853
Claim Recoveries	78,886	46,626
Interest Income	10,354	10,287
Dividend from Consortium	165,186	155,350
Dividends to Members	<u>(155,350)</u>	<u>(133,648)</u>
Total Revenues	<u>2,648,354</u>	<u>2,583,468</u>
<u>Expenses</u>		
Insurance Premiums	1,554,361	1,552,259
Claims	539,977	1,182,089
Other	25,457	23,721
Total Expenses	<u>2,119,795</u>	<u>2,758,069</u>
Change in Net Position	528,559	(174,601)
Net Position - Beginning of Year	<u>1,688,222</u>	<u>1,862,823</u>
Net Position - End of Year	<u>\$ 2,216,781</u>	<u>\$ 1,688,222</u>

Member income increased by \$44,425, or 1.8 percent. The claim recoveries increased by \$32,260, or 69.2 percent. The claims expense decreased by \$642,112, or 54.3 percent.

FINANCIAL MANAGEMENT

This financial report is designed to provide interested users and our membership with a general overview of the State Housing Authority Risk Pool Association, Inc.'s finances and to show its accountability for the money it receives. If you have questions about this report or need additional information contact Rick Bowman, c/o Adams Metropolitan Housing Authority, 401 East Seventh Street, Manchester, Ohio 45144-1401.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
STATEMENT OF NET POSITION
NOVEMBER 30, 2017

ASSETS

Cash and Cash Equivalents	\$ 1,406,197
Investments	1,073,333
Accounts Receivable	13,199
Consortium Receivable	<u>165,186</u>
Total Assets	<u>2,657,915</u>

LIABILITIES

Accounts Payable	3,265
Reserve for Unpaid Claims	<u>437,869</u>
Total Liabilities	<u>441,134</u>

NET POSITION

Unrestricted	<u><u>\$ 2,216,781</u></u>
--------------	-----------------------------------

See accompanying notes to the basic financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

<u>OPERATING REVENUES</u>	
Membership Contributions	\$ 2,549,278
Excess Insurance Recoveries	<u>78,886</u>
TOTAL OPERATING REVENUES	<u>2,628,164</u>
<u>OPERATING EXPENSES</u>	
Claims	539,977
Insurance Premiums	1,554,361
Professional Fees	13,875
Miscellaneous	<u>11,582</u>
TOTAL OPERATING EXPENSES	<u>2,119,795</u>
Operating Income (Loss)	<u>508,369</u>
<u>NON-OPERATING REVENUES/EXPENSES</u>	
Investment Income	10,354
Dividend from Consortium	165,186
Dividends to Members	<u>(155,350)</u>
TOTAL NON-OPERATING REVENUES	<u>20,190</u>
Change in Net Position	528,559
Net Position - Beginning of Year	<u>1,688,222</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,216,781</u></u>

See accompanying notes to the basic financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received for Premiums	\$ 2,536,079
Cash Received for Insurance Recoveries	78,886
Cash Paid for Claims	(677,393)
Cash Payments to Vendors for Services and Goods	(24,483)
Cash Paid for Premiums	<u>(1,554,361)</u>
Net Cash Provided by (Used in) Operating Activities	<u>358,728</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Cash Received from Investment Income	10,354
Purchase of Investments	<u>(8,599)</u>
Net Cash Provided by Investing Activities	<u>1,755</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Dividend from Consortium	155,350
Dividend to Members	<u>(155,350)</u>
Net Cash Used in Non-Capital Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	360,483
Cash and Cash Equivalents - Beginning of Year	<u>1,045,714</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,406,197</u>
<u>RECONCILIATION OF CHANGES IN OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating (Loss)	\$ 508,369
Changes in Assets and Liabilities:	
Increase (Decrease) in Member Receivables	(13,199)
Increase (Decrease) in Accounts Payable	974
Increase (Decrease) in Reserve for Unpaid Claims	<u>(137,416)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 358,728</u>

See accompanying notes to the basic financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 1: DESCRIPTION OF THE ORGANIZATION

The following descriptions provide only general information. Reference should be made to the Plan agreement for a more complete description.

The State Housing Authority Risk Pool Association, Inc. (the "Pool") was organized on April 1, 1991, to provide an insurance program for its member organizations. In accordance with Chapter 2744.081 of the Ohio Revised Code, all political subdivisions in the State of Ohio are eligible to form a self insurance pool. The Pool's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

Any Ohio Metropolitan Housing Authority can join the Pool at any time given they have received a majority approval vote from all the members of the Executive Committee. Members agree to remain in the Pool for a three year term. This term automatically renews for another three years unless a written notice of intent to withdraw is submitted at least one hundred eighty days prior to the expiration of the term.

The Pool provides coverage for Automobile Liability, General Liability, Crime and Property (including Automobile Physical Damage), Public Officials Liability, Directors and Officers Liability, Employee Benefit Liability and Lead Paint Certifications.

SHARP is liable for claims depending upon when the loss was incurred and the policy in force at the time of the loss. SHARP's liability for property and auto damage loss is limited to \$100,000 per occurrence (\$50,000 for Crime) less the individual member deductible.

SHARP's responsibility for third party liability claims is \$100,000 per occurrence.

Claims exceeding SHARP's self-insured retained amounts are covered by Public Entity Risk Consortium (PERC), a separate risk pool, and excess insurance policies up to their respective policy limits, procured from various insurance companies by both SHARP and PERC.

The Pool members have professional liability coverage for Lead Based Paint Inspection. Each occurrence is limited to \$1,000,000 with an aggregate limit of \$15,000,000 for the Pool in total. Each claim will have a \$5,000 deductible which will be paid by the member. The Pool is not responsible for any claims under this policy.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

NOTE 1: **DESCRIPTION OF THE ORGANIZATION** (Continued)

Funding for the Pool's losses and loss expense is accomplished via periodic budgeted contributions to the Pool by the Pool's members. Each members's premiums will be determined by multiplying their contribution factor by the total funding requirement determined by the Board. In addition to determining the total funding requirement for the Pool, the Board of Directors (the "Board") will review each member's contribution factor every year. A member's contribution factor is based upon the size of the member and their claim history. If the assets of the Pool are determined to be insufficient by the Board, the Board has the right to call for supplemental premiums.

The Pool is exposed to certain risks by writing all its business in Ohio, thus increasing exposure to a single jurisdiction. Such risk is reduced by indemnity and loss adjusting practices that identify and minimize the adverse impact of this risk.

As of November 30, 2017, the Pool's membership consisted of forty Metropolitan Housing Authorities throughout the State of Ohio. Each Housing Authority is responsible for all the housing projects in the county in which the Authority is located.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Presentation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP), provided that they do not conflict or contradict statements issued by the Government Accounting Standards Board (GASB). GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus* and GASB Statement No. 66, *Technical Corrections - 2012* - an amendment of GASB Statements No. 10 and No. 62 provides standards for accounting and reporting that apply to public entity risk pools.

All transactions are accounted for in a single enterprise fund. Therefore, revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and Cash Equivalents

For cash flow purposes, SHARP considers all highly liquid investments with a maturity of 30 days or less when purchased to be cash equivalents. Cash and cash equivalents at November 30, 2017 consists of deposits in checking and savings accounts.

Investments

Investments are reported as assets and are carried at cost, which approximates fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recognized in the statement of revenues, expenses and changes in net position as a component of non-operating revenues or expenses.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Reserve for Unpaid Claims

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by SHARP's actuary. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred, but not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. SHARP's management believes that the claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses, may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary materially from the estimated amounts disclosed in Note 5. Should the provision for claims reserves not be sufficient, supplemental contributions will be assessed.

Net Position

Net position represent the excess of revenues over expenses since its inception.

As of November 30, 2017, SHARP does not have any "restricted" net position. SHARP Board on Trustees may authorize the distribution of the net position to those members who constituted the self-insurance pool during the years when such net position was earned, provided that such members must also be members of SHARP in the years in which said distribution was made.

In the event of the dissolution of SHARP, any funds which remain unencumbered after all claims and all other SHARP obligations have been paid shall be distributed only to the entities which are members of SHARP immediately prior to its dissolution. Any such surplus funds shall be distributed to members in proportion to the interest in the surplus funds.

SHARP applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary action of the Pool. For SHARP, these are member premiums from the associated entities and excess insurance recoveries. Operating expenses are necessary cost that have been incurred in order to support SHARP's primary mission. Revenues and expenses not meeting the definition are reported as nonoperating.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Member and Supplemental Contributions

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of SHARP and to create reserves for claims and unallocated loss adjustment expenses. Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the SHARP and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Income Taxes

Metropolitan Housing Authorities are considered a political subdivision in the State of Ohio and are, therefore, exempt from income taxes and the filing of the tax returns.

Reinsurance

SHARP collectively represented its members within the Public Entity Risk consortium, a public entity risk-sharing pool which functions as a reinsurer for its member entities. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. SHARP is contingently liable with respect to certain loss coverage which would become a liability in the event these insurance carriers are unable to meet obligations under these reinsurance contracts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were issued.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)**

NOTE 3: DEPOSITS AND INVESTMENTS

SHARP follows the guidelines of GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. This statement's required disclosures are as follows:

Deposit

At fiscal year-end, the carrying amount of SHARP's deposits were \$1,406,197 and the bank balance was \$1,434,443. Of the bank balance, \$259,518 was covered by the federal depository insurance program with the balance being collateralized by the financial institution's public entity deposit pool.

Investments

Investments reported on the Statement of Net Position at November 30, 2017, are non-negotiable certificates of deposits with an original maturity in excess of three months.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of bank failure, SHARP's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of SHARP. SHARP has no deposit policy for custodial credit risk beyond the requirement of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject SHARP to a successful claim by the FDIC.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)**

NOTE 4: RELATED PARTY TRANSACTIONS

SHARP collectively represents its member housing authorities in the Public Entity Risk Consortium (PERC). PERC is comprised of fifty-three public entities. PERC provides specific excess insurance coverage above its members net retained limits and administrative services for its members. As a member, SHARP is entitled to vote on issues affecting the operation of PERC. It also has an interest in the equity balance of PERC.

PERC has contracted with Arthur J. Gallagher & Co. to provide various management, underwriting, claim adjustments and loss control services. It also contracts with Gallagher Bassett Services, Inc. to process all claims against the members of PERC.

During the period from December 1, 2016 through November 30, 2017, SHARP paid \$1,554,361 to PERC for insurance coverage. In November, 2017 PERC declared a dividend of \$165,186 to the Pool.

NOTE 5: CLAIMS RESERVE

As discussed in Note 2, the Association establishes a claims reserve liability which includes both reported and unreported insured events and also estimates the future payments of losses and related claim adjustment expenses. The changes in the aggregate liabilities for the Association during 2017 is as follows:

<u>Unpaid Claims and Claim Adjustment Expenses</u>	
Beginning of Year	<u>\$ 575,285</u>
<u>Incurred Claims and Claim Adjustment Expenses</u>	
Provision for Insured events of the Current Year	617,401
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(179,879)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>437,522</u>
<u>Payments</u>	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	(337,145)
Claims and Claim Adjustments Expenses Attributable to Insured Events of Events of Prior Years	<u>(237,793)</u>
Total Payments	<u>(574,938)</u>
<u>Total Unpaid Claims and Claim Adjustment Expenses</u>	
End of Year	<u>\$ 437,869</u>

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,
ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)**

NOTE 6: DIVIDEND TO MEMBERS

The pool's Board of Trustees approved payment of dividends to individual members for the policy year 2016-2017 in the total amount of \$155,350.

NOTE 7: DIVIDEND FROM CONSORTIUM

The Public Entity Risk Consortium (PERC), of which SHARP is a member, approved payment of dividends to its members for the policy year 2016-2017. The dividend to SHARP approved was \$165,186.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY
CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pool Contributions	\$ 2,217,360	\$ 2,278,287	\$ 2,206,835	\$ 2,164,989	\$ 2,184,822	\$ 2,259,523	\$ 2,363,280	\$ 2,507,326	\$ 2,504,853	\$ 2,549,278
PERC Dividends	-	Included in Pool Contributions	-	-	-	-	-	133,648	155,350	165,186
Investment Income	60,370	37,180	24,043	24,579	16,855	6,585	8,950	7,026	10,287	10,354
Insurance Recoveries	28,441	196,338	44,646	46,964	38,095	15,750	9,432	92,704	46,626	78,886
Operating Expenses	1,502,027	1,528,390	1,292,622	1,417,384	1,367,641	1,524,343	1,562,785	1,572,583	1,575,980	1,579,818
Estimated Incurred										
Claims and Expenses	849,889	723,794	538,737	1,078,679	1,051,909	685,118	527,476	885,925	1,182,089	539,977
<u>Paid (Cumulative) as of:</u>										
End of Year	280,319	332,191	386,953	534,705	515,960	406,050	374,178	388,444	802,533	337,145
One Year Later	678,936	365,923	719,321	700,189	933,334	494,009	511,483	664,228		
Two Years Later	712,847	366,701	830,843	727,770	957,710	568,461	651,945			
Three Years Later	734,054	384,990	971,290	729,690	957,710	580,156				
Four Years Later	731,933	384,990	1,050,925	761,541	957,914					
Five Years Later	738,332	393,315	1,050,925	775,157						
Six Years Later	738,331	393,315	1,050,925							
Seven Years Later	738,331	393,315								
Eight Years Later	757,289									
Nine Years Later										
<u>Reestimated Incurred</u>										
<u>Claims and Expense</u>										
End of Year	893,007	810,145	872,105	998,402	1,175,484	766,880	714,195	842,301	1,217,924	617,401
One Year Later	791,057	464,520	1,011,136	827,500	1,068,859	625,813	694,956	769,745		
Two Years Later	769,271	420,603	1,053,183	782,281	1,006,556	623,443	694,972			
Three Years Later	749,119	384,990	1,049,831	791,597	973,245	591,506				
Four Years Later	741,386	394,815	1,050,925	770,354	957,914					
Five Years Later	765,832	393,315	1,050,925	775,157						
Six Years Later	738,331	393,315	1,050,925							
Seven Years Later	738,331	393,315								
Eight Years Later	757,289									
Nine Years Later										

Notes

1. Reestimated incurred Claims and expenses shows the latest estimate of claim losses for the policy year.
2. Losses in Excess of Pool retention are not included as these are separately
3. Estimated incurred claims and expense include actuary's original estimate of claims.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC
MAHONING COUNTY
RATIOS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	For the Year Ended November 30		Components of Calculation	For the Year Ended November 30	
	2017	2016		2017	2016
Loss Ratio	55.4%	124.4%	Net Incurred Losses Net Premiums Earned	\$ 539,977 975,000	\$ 1,182,089 950,000
Expense Ratio	2.6%	2.5%	Expenses Net premiums Earned	25,457 975,000	23,721 950,000
Combined Ratio	58.0%	126.9%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	1.1%	1.1%	Investment Income Net Premiums Earned	10,354 975,000	10,287 950,000
Operating Ratio	48.8%	120.9%	Combined Ratio - Net Investment Income Ratio		
Yield on Investment Assets	0.4%	0.5%	Investment Income Cash	10,354 2,479,530	10,287 2,110,448
Change in Surplus	30.7%	10.5%	Increase (Decrease) in Surplus Previous Year's Surplus	518,533 1,688,222	(196,303) 1,862,823
Return on Surplus	30.1%	-9.4%	Operating Income (Loss) Previous Year's Surplus	508,369 1,688,222	(174,601) 1,862,823
Net Premium Written to Surplus	.6: 1	.6: 1	Net Premium Written Previous Year's Surplus	975,000 1,688,222	950,000 1,862,823
Current Liquidity	6.0: 1	3.9: 1	Total Assets Total Liabilities	2,657,915 441,134	2,265,798 577,576

The above ratios are presented to assist HUD in their review of the financial statements.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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**

To the Board of Directors of
State Housing Authority Risk
Pool Association, Inc.
Manchester, Ohio 44503

The Honorable Dave Yost
Auditor of State
State of Ohio

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 State Housing Authority Risk Pool Association, Inc. (SHARP), Adams County, Ohio as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements and have issued our report thereon dated March 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SHARP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SHARP's internal control. Accordingly, we do not express an opinion of the effectiveness of SHARP'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 SHARP's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

March 20, 2018

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
STATUS OF PRIOR YEAR'S AUDIT CITATIONS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**

The prior audit report, for the fiscal year ended November 30, 2016, reported no material citations. The management letter recommendations have been repeated, corrected, or procedures instituted to prevent occurrences in this audit period.

This page intentionally left blank.



Dave Yost • Auditor of State

STATE HOUSING AUTHORITY RISK POOL ASSOCIATES, INC.

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2018**