

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2018**

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

OHIO AUDITOR OF STATE KEITH FABER



Board of Directors
State Housing Authority Risk Pool Association, Inc.
401 East 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, 2017 through November 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 6, 2019

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STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

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

*Certified Public Accountants
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Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

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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 Keith Faber
Auditor of State
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, 2018, 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, 2018, 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* and *Ten-Year Claims Development Information*, 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 Information

We applied no procedures to Ratios as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2019, 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, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgz@jgzcpa.com, c=US
Date: 2019.04.24 11:00:30 -04'00'

March 21, 2019

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018**

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, 2018. 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 2018 are as follows:

- SHARP's net financial position at November 30, 2018 was \$2,225,657.
- 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 \$765,651 at November 30, 2018 compared to \$437,869 at November 30, 2017.
- SHARP had operating revenues from its members of \$2,613,484 and operating expenses of \$2,638,446 for the fiscal year. In addition, SHARP had \$9,686 in claim recoveries, \$175,368 in dividends from PERC, and \$13,970 in investment income. These factors resulted in an increase in net position of \$8,876 for the fiscal year.

REPORTING OF FINANCIAL ACTIVITIES

The table below shows the changes in net position for the fiscal years ending November 30, 2018 and 2017.

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

	2018	2017
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,730,974	\$ 1,406,197
Investments	1,084,966	1,073,333
Membership Receivables	0	13,199
Accounts Receivable	175,368	165,186
Total Assets	\$ 2,991,308	\$ 2,657,915
<u>Liabilities and Net Position</u>		
Reserve for Unpaid Claims	\$ 765,651	\$ 437,869
Accounts Payable	0	3,265
Net Position	2,225,657	2,216,781
Total Liabilities and Net Position	\$ 2,991,308	\$ 2,657,915

The total assets increased by \$333,393 or 12.5 percent. The loss reserve amount increased by \$327,782, or 74.8 percent. The Pool also distributed \$165,186 in dividends. These factors resulted in the increase in net position of \$8,876, or .4 percent.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

The table below shows the changes in net position for the fiscal years ending November 30, 2018 and 2017.

Table 2 - Condensed Statement of Revenues, Expenses, and Changes in Net Position Compared to Prior Year

	2018	2017
<u>Revenues</u>		
Member Income	\$ 2,613,484	\$ 2,549,278
Claim Recoveries	9,686	78,886
Interest Income	13,970	10,354
Dividend from Consortium	175,368	165,186
Dividends to Members	(165,186)	(155,350)
Total Revenues	2,647,322	2,648,354
<u>Expenses</u>		
Insurance Premiums	1,584,007	1,554,361
Claims	1,041,073	539,977
Other	13,366	25,457
Total Operating Expenses	2,638,446	2,119,795
Change in Net Position	8,876	528,559
Net Position - Beginning of Year	2,216,781	1,688,222
Net Position - End of Year	\$ 2,225,657	\$ 2,216,781

Member income increased by \$64,206, or 2.5 percent. The claim recoveries decreased by \$69,200, or 87.7 percent. The claims expense increased by \$501,096 or 92.8 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, OHIO
STATEMENT OF NET POSITION
NOVEMBER 30, 2018

Assets

Cash and Cash Equivalents	\$ 1,730,974
Investments	1,084,966
Consortium Receivable	175,368
Total Current Assets	<u>2,991,308</u>

Liabilities

Reserve for Unpaid Claims	<u>765,651</u>
Total Current Liabilities	<u>765,651</u>

Net Position

Unrestricted	<u>\$ 2,225,657</u>
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See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

<u>Operating Revenues</u>	
Membership Contributions	\$ 2,613,484
Excess Insurance Recoveries	9,686
Total Operating Revenues	<u>2,623,170</u>
<u>Operating Expenses</u>	
Claims	1,041,073
Insurance Premiums	1,584,007
Other	13,366
Total Operating Expenses	<u>2,638,446</u>
Operating Income (Loss)	<u>(15,276)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	13,970
Dividend from Consortium	175,368
Dividends to Members	(165,186)
Total Nonoperating Revenues (Expenses)	<u>24,152</u>
Change in Net Position	8,876
Net Position - Beginning of Year	<u>2,216,781</u>
Net Position - End of Year	<u>\$ 2,225,657</u>

See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

<u>Cash Flows from Operating Activities</u>	
Cash Received for Member Premiums	\$ 2,626,683
Cash Received for Insurance Recoveries	9,686
Cash Paid for Claims	(713,291)
Cash Payments to Vendors for Services and Goods	(16,631)
Cash Paid for Premiums	(1,584,007)
Net Cash Provided by (Used in) Operating Activities	322,440
 <u>Cash Flows from Investing Activities</u>	
Cash Received from Investment Income	13,970
Cash Paid into Investments	(11,633)
Net Cash Provided by Investing Activities	2,337
 <u>Cash Flows from Non-Capital Financing Activities</u>	
Dividends from Consortium	165,186
Dividends to Members	(165,186)
Net Cash Provided by Non-Capital Financing Activities	0
Net Increase (Decrease) in Cash and Cash Equivalents	324,777
 Cash and Cash Equivalents - Beginning of Year	 1,406,197
Cash and Cash Equivalents - End of Year	\$ 1,730,974
 <u>Reconciliation of Changes in Operating Income to Net Cash from Operating Activities</u>	
Operating (Loss)	\$ (15,276)
Changes in Assets and Liabilities:	
(Increase) Decrease in Member Receivables	13,199
Increase (Decrease) in Accounts Payable	(3,265)
Increase (Decrease) in Reserve for Unpaid Claims	327,782
Net Cash Provided by (Used in) Operating Activities	\$ 322,440

See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

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.

Funding for the Pool's losses and loss expense is accomplished via periodic budgeted contributions to the Pool by the Pool's members. Each member'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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(CONTINUED)

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

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, 2018, 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 SIGNICANT 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 three months or less when purchased to be cash equivalents. Cash and cash equivalents at November 30, 2018 consist of deposits in checking and savings accounts.

Investments

Investments are reported as assets and are carried at cost, which approximates fair value measurement. 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.

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 6. Should the provision for claims reserves not be sufficient, supplemental contributions will be assessed.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(CONTINUED)

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

Net Position

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

As of November 30, 2018, SHARP does not have any “restricted” net position. SHARP’s Board of 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.

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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(CONTINUED)

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

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.

NOTE 3: **DEPOSITS AND INVESTMENTS**

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

Deposits

At fiscal year-end, the carrying amount of SHARP's deposits were \$2,815,940 and the bank balance was \$2,830,506. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance. He remaining balance of \$2,580,506 was uninsured and subject to custodial risk as described below.

Investments

Investments reported on the Statement of Net Position at November 30, 2018, are non-negotiable certificates of deposits with an original maturity in excess of three months.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the Consortium will not be able to recover deposits. Protection of the Consortium's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as with qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The Consortium's financial institutions had enrolled in OPCS as of November 30, 2018.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(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, 2017 through November 30, 2018, SHARP paid \$1,553,118 to PERC for insurance coverage. In November, 2018 PERC declared a dividend of \$175,368 to the Pool.

NOTE 5: DIVIDEND TO MEMBERS

The Pool's Board of Trustees approved payment of dividends to individual members for the policy year 2017-2018 in the total amount of \$165,186.

NOTE 6: 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 2018 is as follows:

Unpaid Claims and Claim Adjustment Expenses	
Beginning of Year	\$ 437,869
Incurred Claims and Claim Adjustment Expenses	
Provision for Insured Events of the Current Year	1,064,467
Increase (Decrease) in Provision and Insured Events of Prior Years	(96,207)
Total Incurred Claims and Claim Adjustment Expenses	968,260
Payments	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	(549,474)
Claims and Claim Expenses Attributable to Insured Events of Prior Years	(91,004)
Total Payments	(640,478)
Total Unpaid Claims and Claim Adjustments Expenses - End of Year	\$ 765,651

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

**CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pool Contributions	\$ 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	\$ 2,613,484
PERC Dividends	-	Included in Pool Contributions	-	-	-	-	133,648	155,350	165,186	175,368
Investment Income	37,180	24,043	24,579	16,855	6,585	8,950	7,026	10,287	10,354	13,970
Insurance Recoveries	196,338	44,646	46,964	38,095	15,750	9,432	92,704	46,626	78,886	9,686
Operating Expenses	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	1,597,373
Estimated Incurred										
Claims and Expenses	723,794	538,737	1,078,679	1,051,909	685,118	527,476	885,925	1,182,089	539,977	1,041,073
Paid (Cumulative) as of:										
End of Year	332,191	386,953	534,705	515,960	406,050	374,178	388,444	802,533	337,145	549,474
One Year Later	365,923	719,321	700,189	933,334	494,009	511,483	664,228	1,033,310	400,363	
Two Years Later	366,701	830,843	727,770	957,710	568,461	651,945	668,006	1,061,292		
Three Years Later	384,990	971,290	729,690	957,710	580,156	651,945	668,006			
Four Years Later	384,990	1,050,925	761,541	957,914	580,247	651,945				
Five Years Later	393,315	1,050,925	775,157	957,914	580,051					
Six Years Later	393,315	1,050,925	778,304	957,914						
Seven Years Later	393,315	1,050,925	778,304							
Eight Years Later	393,315	1,050,925								
Nine Years Later	393,315									
Reestimated Incurred										
Claims and Expense										
End of Year	810,145	872,105	998,402	1,175,484	766,880	714,195	842,301	1,217,924	617,401	1,064,467
One Year Later	464,520	1,011,136	827,500	1,068,859	625,813	694,956	769,745	1,128,277	569,218	
Two Years Later	420,603	1,053,183	782,281	1,006,556	623,443	694,972	723,435	1,115,394		
Three Years Later	384,990	1,049,831	791,597	973,245	591,506	659,162	695,707			
Four Years Later	394,815	1,050,925	770,354	957,914	580,247	651,945				
Five Years Later	393,315	1,050,925	775,157	957,914	580,051					
Six Years Later	393,315	1,050,925	778,304	957,914						
Seven Years Later	393,315	1,050,925	778,304							
Eight Years Later	393,315	1,050,925								
Nine Years Later	393,315									

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 insured.
3. Estimated incurred claims and expense include actuary's original estimate of claims.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
RATIOS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

	For the Year Ended November 30		<u>Components of Calculation</u>	For the Year Ended November 30	
	2018	2017		2018	2017
Loss Ratio	102.8%	47.3%	Net Incurred Losses Net Premiums Earned	\$ 1,031,387 1,007,961	\$ 461,091 975,000
Expense Ratio	1.3%	2.6%	Expenses Net premiums Earned	13,366 1,007,961	25,457 975,000
Combined Ratio	104.1%	49.9%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	1.4%	1.1%	Investment Income Net Premiums Earned	13,970 1,007,961	10,354 975,000
Operating Ratio	103.5%	56.9%	Combined Ratio - Net Investment Income Ratio		
Yield on Investment Assets	0.5%	0.4%	Investment Income Cash + Investments	13,970 2,815,940	10,354 2,479,530
Change in Surplus	0.4%	30.7%	Increase (Decrease) in Surplus Previous Year's Surplus	8,876 2,216,781	518,533 1,688,222
Return on Surplus	-0.7%	31.3%	Operating Income (Loss) Previous Year's Surplus	(15,276) 2,216,781	528,559 1,688,222
Net Premium Written to Surplus	.4: 1	.6: 1	Net Premium Earned Previous Year's Surplus	1,007,961 2,216,781	975,000 1,688,222
Current Liquidity	3.9: 1	6.0: 1	Total Assets Total Liabilities	2,991,308 765,651	2,657,915 441,134

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

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Garfield Hts., Ohio 44125

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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

The Honorable Keith Faber
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, 2018, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements and have issued our report thereon dated March 21, 2019.

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

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgz@gzcpa.com, c=US
Date: 2019.04.24 11:01:31 -04'00'

March 21, 2019

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
ADAMS COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018**

The prior audit report, for the fiscal year ended November 30, 2017, included no citations, instances of noncompliance, or management letter recommendations.

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OHIO AUDITOR OF STATE KEITH FABER



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 16, 2019**