

**OHIO HOUSING AUTHORITY
PROPERTY AND CASUALTY, INC.
SELF INSURANCE POOL
MAHONING 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 Trustees
Ohio Housing Authority Property and Casualty, Inc.
131 W. Boardman Street
Youngstown, Ohio 44503

We have reviewed the *Independent Auditor's Report* of the Ohio Housing Authority Property and Casualty, Inc., Mahoning 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 Ohio Housing Authority Property and Casualty, 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

May 4, 2018

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OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ohio Housing Authority Property and
Casualty, Inc.
Youngstown, 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 Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), Mahoning County, Ohio as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise OHAPCI'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 OHAPCI'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 OHAPCI'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 Ohio Housing Authority Property and Casualty, Inc., Mahoning 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 February 26, 2018, on our consideration of Ohio Housing Authority Property and Casualty, 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 OHAPCI's internal control over financial reporting and compliance.



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

February 26, 2018

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(UNAUDITED)**

The discussion and analysis of the Ohio Housing Authority Property and Casualty, Inc. (OHAPCI) financial statements provides an overall review of OHAPCI's financial activities for the fiscal year ended November 30, 2017. The intent of this discussion and analysis is to look at OHAPCI'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 OHAPCI's financial performance.

FINANCIAL STATEMENTS

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

- OHAPCI's net financial position at November 30, 2017 was \$1,581,980.
- OHAPCI 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 \$851,944 at November 30, 2017 compared to \$831,481 at November 30, 2016.
- OHAPCI had operating revenues from its members of \$1,954,253 and operating expenses of \$2,226,798 for the fiscal year. In addition, OHAPCI had \$83,997 in claim recoveries and \$16,847 in investment income. These factors resulted in a net decrease in the net position of \$171,701 for the fiscal year.
- OHAPCI received \$164,106 from the Public Entity Risk Consortium and then declared a dividend to its members for \$164,106.

REPORTING OF FINANCIAL ACTIVITIES

The table below provides a summary of OHAPCI's net position for 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	\$ 1,391,841	\$ 1,456,310
Investments	1,042,083	1,195,633
Accounts Receivable	<u>164,106</u>	<u>157,526</u>
TOTAL ASSETS	<u>\$ 2,598,030</u>	<u>\$ 2,809,469</u>
Liabilities and Net Position:		
Reserve for Unpaid Claims	\$ 851,944	\$ 831,481
Accounts Payable	164,106	224,307
Net Position	<u>1,581,980</u>	<u>1,753,681</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,598,030</u>	<u>\$ 2,809,469</u>

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(UNAUDITED)

The total assets decreased by \$211,439 or 7.5 percent. The loss reserve amount increased by \$20,463, or 2.5 percent. These factors resulted in the decrease in net position of \$171,701, or 9.8 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
Revenues		
Membership Income	\$ 1,954,253	\$ 1,854,755
Return of Membership Income	(164,106)	(224,307)
Claim Recoveries	83,997	50,610
Interest Income	16,847	12,498
Provider Refunds	164,106	157,526
Total Revenues	<u>2,055,097</u>	<u>1,851,082</u>
Expenses		
Insurance Premiums	1,304,253	1,204,755
Claims	898,529	662,177
Other	24,016	12,929
Total Expenses	<u>2,226,798</u>	<u>1,879,861</u>
Change in Net Position	(171,701)	(28,779)
Net Position - Beginning of Year	<u>1,753,681</u>	<u>1,782,460</u>
Net Position - End of Year	<u>\$ 1,581,980</u>	<u>\$ 1,753,681</u>

Member income increased by \$99,498, or 5.4 percent. The claim recoveries increased by \$33,387, or 66 percent. The claims expense increased by \$236,352 or 35.7 percent.

FINANCIAL MANAGEMENT

This financial report is designed to provide interested users and our membership with a general overview of the Ohio Housing Authority Property and Casualty, Inc. finances and to show its accountability for the money it receives. If you have questions about this report or need additional information contact Gary Cameron, 131W. Boardman Street, Youngstown, Ohio 44503.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
STATEMENT OF NET POSITION
NOVEMBER 30, 2017

ASSETS

Cash and Cash Equivalents	\$ 1,391,841
Investments	1,042,083
Accounts Receivable	<u>164,106</u>
Total Assets	<u>2,598,030</u>

LIABILITIES

Accounts Payable	164,106
Reserve for Unpaid Claims	<u>851,944</u>
Total Liabilities	<u>1,016,050</u>

NET POSITION

Unrestricted	<u>\$ 1,581,980</u>
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See accompanying notes to the basic financial statements.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**

<u>OPERATING REVENUES</u>	
Membership Contributions	\$ 1,954,253
Excess Insurance Recoveries	<u>83,997</u>
TOTAL OPERATING REVENUES	<u>2,038,250</u>
<u>OPERATING EXPENSES</u>	
Claims	898,529
Insurance Premiums	1,304,253
Professional Fees	19,901
Miscellaneous	<u>4,115</u>
TOTAL OPERATING EXPENSES	<u>2,226,798</u>
Operating Income (Loss)	<u>(188,548)</u>
<u>NON-OPERATING REVENUES/EXPENSES</u>	
Investment Income	16,847
Dividend from Consortium	164,106
Dividend to Members	<u>(164,106)</u>
TOTAL NON-OPERATING REVENUES	<u>16,847</u>
Change in Net Position	(171,701)
Net Position - Beginning of Year	<u>1,753,681</u>
NET POSITION - END OF YEAR	<u>\$ 1,581,980</u>

See accompanying notes to the basic financial statements.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received for Premiums	\$ 1,954,253
Cash Received for Insurance Recoveries	83,997
Cash Paid for Claims	(878,066)
Cash Payments to Vendors for Services and Goods	(24,016)
Cash Paid for Premiums	<u>(1,304,253)</u>

Net Cash Provided by (Used in) Operating Activities (168,085)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Investment Income	16,847
Cash Paid into Investments	<u>153,550</u>

Net Cash Provided by Investing Activities 170,397

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Dividends from Consortium	157,526
Dividends to Members	<u>(224,307)</u>

Net Cash Used in Non-Capital Financing Activities (66,781)

Net Increase (Decrease) in Cash and Cash Equivalents (64,469)

Cash and Cash Equivalents - Beginning of Year 1,456,310

Cash and Cash Equivalents - End of Year \$ 1,391,841

RECONCILIATION OF CHANGES IN OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

Operating (Loss)	\$ (188,548)
Changes in Assets and Liabilities:	
Increase (Decrease) in Reserve for Unpaid Claims	<u>20,463</u>

Net Cash Provided by (Used in) Operating Activities \$ (168,085)

See accompanying notes to the basic financial statements.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Ohio Housing Authority Property and Casualty, Inc. (OHAPCI) is a corporation organized under Section 2744.081 of the Ohio Revised Code for the public purpose of enabling its member political subdivisions to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, OHAPCI provides coverage for automobile liability, general liability, crime and property (including automobile physical damage), law enforcement liability, ambulance attendant's liability, miscellaneous error and omissions, property claims, and public official's liability. In addition to the self-insurance pool, OHAPCI provides risk management services, loss prevention programs and various other educational materials. The members of the pool include the following housing authorities within the State of Ohio; Cincinnati Metropolitan Housing Authority, Dayton Metropolitan Housing Authority and Youngstown Metropolitan Housing Authority. The Organization does not have any financial accountability over entities as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement No. 14 and No. 34.

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, OHAPCI 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, 2017 consist of funds or deposits in banks and money market funds.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

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

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.

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 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.

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 OHAPCI and to create reserves for claims and unallocated loss adjustments 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 OHAPCI 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.

Reserve for Unpaid Claims

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by OHAPCI'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. OHAPCI'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 expense may vary materially from the estimated amounts disclosed in Note 7. Should the provision for claims reserves not be sufficient, supplemental contributions will be assessed.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

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

Reinsurance

OHAPCI collectively represented its members within 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. OHAPCI 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.

Net Position

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

As of November 30, 2017, OHAPCI does not have any “restricted” net position. OHAPCI Board of Trustee 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 OHAPCI in the years in which said distribution was made.

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

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

Subsequent Events

Management has evaluated subsequent events through February 26, 2018.

Operating Revenues and Expenses

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

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

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

Income Taxes

OHAPCI is not subject to income taxes and the filing of tax returns since its members are political subdivisions in the State of Ohio.

NOTE 3: **DEPOSITS AND INVESTMENTS**

OHAPCI 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 OHAPCI's deposits was \$1,391,841 and the bank was \$1,427,058. Of the bank balance, \$1,226,043 was covered by the federal depository insurance program with the balance being collateralized by the financial institution's public entity deposit pool.

Investments

At year end, the carrying amount and maturities of the investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u><1</u>	<u>1-2</u>	<u>>2-5</u>
FHLB 1.2% - 09/17/18	\$ 99,684	\$ 99,684	\$ 0	\$ 0
FHLB 1% - 12/19/17	49,994	49,994	0	0
FFCB 1.125% - 12/18/17	49,997	49,997	0	0
FFCB 1.17% - 06/14/18	99,847	99,847	0	0
FNMA 1.125% - 10/19/18	99,540	99,540	0	0
FNMA 1.5% - 11/30/20	98,646	0	0	98,646
FNMA .875% - 12/20/17	49,990	49,990	0	0
FNMA 1.25% - 2/24/20	98,586	0	0	98,586
FHLMC 1.25% - 10/02/19	148,382	0	148,382	0
Freddie MAC Series 1.5%	99,371	99,371	0	0
US Treasury N/B 1.125%	49,312	0	0	49,312
US Treasury N/B 1.25%	98,734	0	0	98,734
Total	<u>\$ 1,042,083</u>	<u>\$ 548,423</u>	<u>\$ 148,382</u>	<u>\$ 345,278</u>

All investments received a rating of Aaa, which is the highest rating issued by Moody for a long-term investment.

The weighted average maturity of investments at November 30, 2017 is 2 years.

OHAPCI's investments in federal agency securities, and U.S. Treasury notes are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository institution or counter party to a transaction, OHAPCI will be unable to recover the value of deposits, investments, or collateral securities in possession of an outside party. At November 30, 2017, OHAPCI does not have a policy to limit custodial risk beyond the requirements of State statute.

Credit Risk

Credit risk is the risk that an issuer or counter party to an investment will be unable to fulfill its obligations. OHAPCI does not have a policy to limit credit risk beyond the requirements of State statute. All of the federal agency securities carry a rating of Aaa by Moody's.

Concentration of Credit Risk

Concentration of credit risk is the risk of inability to recover the value of deposits or investments in the possession of an outside party caused by a lack of diversification. OHAPCI does not have a policy to limit concentration of credit risk. At fiscal year end, OHAPCI's investments are 14.4% in FHLB, 14.4% in FFCB, 33.3% in FNMA, 14.2% in FHLMC, 14.2% in U.S. Treasury N/B and 9.5 % in Freddie Mac Series.

Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. OHAPCI does not have a policy to limit interest rate risk.

NOTE 4: **SELF-INSURED RETENTION**

OHAPCI retains responsibility of claims within specified self-insured retention limits prior to the application of coverage provided by excess reinsurance contracts. OHAPCI's per occurrence retention limit is \$100,000 for all claims. OHAPCI collectively represents its members as members within the Public Entity Risk Consortium (PERC) pool. Under PERC, member entities maintain their present retention structure and the present retention effectively becomes a maintenance deductible under PERC. PERC then self-insures a primary portion over individual member retentions up to \$250,000 per occurrence for property coverages and \$500,000 for liability coverages, both inclusive of the member's retention (e.g. for property coverage, PERC self-insures \$150,000 in excess of OHAPCI's \$100,000 self-insured amount). PERC has a stop loss retention of \$1,575,000 per year, purchasing excess insurance coverage above its retention.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

NOTE 5: RISK MANAGEMENT

OHAPCI has contracted with a third-party administrator, Arthur J. Gallagher Risk Management Services, Inc. to provide management services. OHAPCI has also contracted with Gallagher Bassett Services, Inc. to process all claims against the members.

The members contribute annual premiums into the self-insurance risk pool fund of the Pool. The Board of Directors approves payments to the third-party administrator for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Pool members, except to the extent discretionary authority is granted to Gallagher Bassett for payment of claims. The Pool may extend an assessment to each member if additional funding is needed to cover expenses.

Members that withdraw from the Pool are obligated for any supplementary payments at the member's pool contribution factor if effect for the specific years to which the supplementary payments apply.

NOTE 6: ADMINISTRATIVE FEES

OHAPCI has contracted with Arthur J. Gallagher & Company to provide various management, underwriting, claim adjustments and loss control services.

NOTE 7: CLAIMS RESERVE

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

<u>Unpaid Claims and Claim Adjustment Expenses</u>	
Beginning of Year	\$ 831,481
<u>Incurred Claims and Claim Adjustment Expenses</u>	
Provision for Insured events of the Current Year	980,019
Increase (Decrease) in Provision and Insured Events of Prior Years	<u>(139,725)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>840,294</u>
<u>Payments</u>	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	307,039
Claims and Claim Expenses Attributable to Insured Events of Events of Prior Years	<u>512,792</u>
Total Payments	<u>819,831</u>
Total Unpaid Claims and Claim Adjustment Expenses	
End of Year	<u>\$ 851,944</u>

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(CONTINUED)

NOTE 8: **DIVIDEND TO MEMBERS**

The pool's Board of Trustees approved payment of dividends to individual members for policy years 2016-2017 in the total amount of \$164,106.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pool Contributions	\$ 1,760,276	\$ 1,837,804	\$ 1,794,662	\$ 1,910,189	\$ 1,799,364	\$ 1,986,455	\$ 1,878,455	\$ 1,972,906	\$ 1,630,448	\$ 1,954,253
Investment Income	30,104	2,487	4,387	7,170	8,834	9,462	8,754	12,420	12,498	16,847
Expenses	1,309,043	1,270,742	1,271,718	1,283,233	1,032,536	1,214,963	1,120,671	1,189,112	1,060,158	1,328,269
Estimated Incurred Claims and Expenses	303,328	820,956	179,173	416,635	429,032	348,765	837,078	181,859	611,567	814,532
Reestimated Incurred Claims and Expenses										
End of Year	804,865	610,766	525,006	690,984	932,738	633,339	1,114,194	658,111	781,115	980,019
One Year Later	930,218	415,588	403,264	414,938	807,391	458,561	807,410	545,664	701,940	
Two Years Later	784,397	324,489	267,085	339,618	635,836	403,907	689,869	515,430		
Three Years Later	757,172	296,694	247,049	284,767	589,586	392,471	666,830			
Four Years Later	721,748	302,149	222,607	281,212	589,586	385,194				
Five Years Later	721,748	303,149	225,285	281,212	589,586					
Six Years Later	721,748	292,814	227,740	281,212						
Seven Years Later	721,748	292,814	227,740							
Eight Years Later	721,748	292,814								
Nine Years Later	721,748									
Paid (Cumulative) as of:										
End of Year	107,899	121,319	136,420	131,944	198,788	141,994	333,512	48,514	145,534	307,039
One Year Later	644,505	188,991	203,823	198,078	640,045	384,927	589,575	380,081	558,155	
Two Years Later	698,253	242,153	212,848	219,872	567,039	385,194	666,830	480,253		
Three Years Later	715,701	250,519	216,808	240,346	589,586	385,194	666,830			
Four Years Later	721,748	291,786	222,607	281,212	589,586	385,194				
Five Years Later	721,748	292,342	225,285	281,212	589,586					
Six Years Later	721,748	292,814	227,740	281,212						
Seven Years Later	721,748	292,814	227,740							
Eight Years Later	721,748	292,814								
Nine Years Later	721,748									

Notes

1. Reestimated incurred Claims and expenses is net of reimbursement of excess coverage.
2. Reestimated incurred Claims and expenses do not include incurred, but not reported claims.

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.
MAHONING COUNTY
RATIOS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	For the Year Ended		<u>Components of Calculation</u>	For the Year Ended	
	2017	2016		2017	2016
Loss Ratio	125.3%	94.1%	Net Incurred Losses Net Premiums Earned	\$ 814,532	\$ 611,568
Expense Ratio	3.7%	2.0%	Expenses Net premiums Earned	24,017	12,929
Combined Ratio	129.0%	96.1%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	2.6%	1.9%	Investment Income Net Premiums Earned	16,847	12,498
Operating Ratio	126.4%	94.2%	Combined Ratio - Net Investment Income Ratio		
Yield on Investment Assets	0.7%	0.5%	Investment Income Cash	16,847	12,498
Change in Surplus	-9.8%	-1.6%	Increase (Decrease) in Surplus Previous Year's Surplus	(171,701)	(28,779)
Return on Surplus	-10.80%	10.3%	Operating Income (Loss) Previous Year's Surplus	1,753,681	1,782,460
Net Premium Written to Surplus	.4: 1	.4: 1	Net Premium Written Previous Year's Surplus	(188,548)	183,030
Current Liquidity	26: 1	2.7: 1	Total Assets Total Liabilities	1,753,681	1,782,460
				2,598,030	2,809,469
				1,016,050	1,055,788

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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Accountants

Ohio Society of Certified Public

**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
Ohio Housing Authority Property and
Casualty, Inc.
Youngstown, 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 Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), Mahoning County, Ohio as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise OHAPCI's basic financial statements and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OHAPCI'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 OHAPCI's internal control. Accordingly, we do not express an opinion of the effectiveness of OHAPCI'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 OHAPCI'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 OHAPCI'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 OHAPCI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OHAPCI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

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

February 26, 2018

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, 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.

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Dave Yost • Auditor of State

OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY INC

MAHONING 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 17, 2018**