

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2020**

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

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
State Housing Authority Risk Pool Association, Inc.
410 Court Street
Portsmouth, Ohio 45662

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, 2019 through November 30, 2020. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 14, 2021

This page intentionally left blank.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
Basic 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	8-13
Claims Development Information	14
Ratios	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16-17
Schedule of Prior Audit Findings and Recommendations	18

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.
Portsmouth, 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), Scioto County, Ohio as of and for the fiscal year ended November 30, 2020, 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., Scioto County, Ohio as of November 30, 2020, 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 May 26, 2021, 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

May 26, 2021

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
 SCIOTO COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020**

The discussion and analysis of the State Housing Authority Risk Pool Association, Inc.'s (SHARP) financial statements provides an overall review of SHARP's financial activities for the fiscal year ended November 30, 2020. 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 2020 are as follows:

- SHARP's net financial position at November 30, 2020 was \$2,313,896.
- SHARP has hired an independent actuary, The Actuarial Advantage, to determine the reserves for unpaid claims. Based upon the actuary's report, the reserves for unpaid claims was \$1,165,531 at November 30, 2020 compared to \$1,107,465 at November 30, 2019.
- SHARP had gross operating revenues from its members of \$2,865,383 and operating expenses of \$2,755,497 for the fiscal year. In addition, SHARP had \$9,923 in claim recoveries, \$211,240 in dividends from PERC, and \$9,056 in investment income. SHARP declared dividends to its members of \$208,686 which was used to reduce the 2019-2020 premiums from members. These factors resulted in a net increase in net position of \$131,419 for the fiscal year.

REPORTING OF FINANCIAL ACTIVITIES

The table below shows the changes in net position for the fiscal years ending November 30, 2020 and 2019.

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

	2020	2019
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,933,889	\$ 1,975,138
Investments	331,084	1,106,118
Accounts Receivable	214,454	208,686
Total Assets	<u>\$ 3,479,427</u>	<u>\$ 3,289,942</u>
<u>Liabilities and Net Position</u>		
Reserve for Unpaid Claims	\$ 1,165,531	\$ 1,107,465
Net Position	2,313,896	2,182,477
Total Liabilities and Net Position	<u>\$ 3,479,427</u>	<u>\$ 3,289,942</u>

Total assets increased by \$189,485, or 5.8 percent. The loss reserve amount increased by \$58,066, or 5.2 percent. These factors resulted in the increase in net position of \$131,419, or 6.0 percent.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
 SCIOTO COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020**

The table below shows the changes in net position for the fiscal years ending November 30, 2020 and 2019.

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

	2020	2019
<u>Revenues</u>		
Member Income	\$ 2,865,383	\$ 2,697,361
Claim Recoveries	9,923	29,042
Interest Income	9,056	23,909
Dividend from Consortium	211,240	208,686
Dividends to Members	(208,686)	(175,368)
Total Revenues	2,886,916	2,783,630
<u>Expenses</u>		
Insurance Premiums	1,748,383	1,609,361
Claims	991,106	1,193,183
Other	16,008	24,266
Total Operating Expenses	2,755,497	2,826,810
Change in Net Position	131,419	(43,180)
Net Position - Beginning of Year	2,182,477	2,225,657
Net Position - End of Year	\$ 2,313,896	\$ 2,182,477

Member income increased by \$168,022, or 6.2 percent. The claim recoveries decreased by \$19,119, or 65.8 percent. The claims expense decreased by \$202,077 or 16.9 percent.

Actual claims expenses are not predictable by SHARP and may vary significantly from actuarial loss projections in any given year. Included in this expense are the actual claims paid during the year plus the change in the Reserve for Unpaid Claims. Note 7 of the financial statements illustrates this calculation.

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 Peggy Rice, Portsmouth Metropolitan Housing Authority, 410 Court Street, Portsmouth, Ohio 45662.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
STATEMENT OF NET POSITION
NOVEMBER 30, 2020

Assets

Cash and Cash Equivalents	\$ 2,933,889
Investments	331,084
Member Receivables	3,214
Consortium Receivable	211,240
Total Current Assets	<u>3,479,427</u>

Liabilities

Reserve for Unpaid Claims	<u>1,165,531</u>
Total Current Liabilities	<u>1,165,531</u>

Net Position

Unrestricted	<u><u>\$ 2,313,896</u></u>
--------------	----------------------------

See accompanying notes to the financial statements.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
 SCIOTO COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020**

<u>Operating Revenues</u>	
Membership Contributions	\$ 2,865,383
Excess Insurance Recoveries	9,056
Total Operating Revenues	2,874,439
 <u>Operating Expenses</u>	
Claims	991,106
Insurance Premiums	1,748,383
Professional Fees	14,180
Miscellaneous	1,828
Total Operating Expenses	2,755,497
Operating Income (Loss)	118,942
 <u>Nonoperating Revenues (Expenses)</u>	
Investment Income	9,923
Dividend from Consortium	211,240
Dividends to Members	(208,686)
Total Nonoperating Revenues (Expenses)	12,477
Change in Net Position	131,419
 Net Position - Beginning of Year	 2,182,477
 Net Position - End of Year	 \$ 2,313,896

See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020

<u>Cash Flows from Operating Activities</u>	
Cash Received for Member Premiums	\$ 2,862,169
Cash Received for Insurance Recoveries	9,056
Cash Paid for Claims	(933,040)
Cash Payments to Vendors for Services and Goods	(16,008)
Cash Paid for Premiums	(1,748,383)
Net Cash Provided by (Used in) Operating Activities	173,794
 <u>Cash Flows from Investing Activities</u>	
Cash Received from Investment Income	9,923
Cash from Investments	775,034
Net Cash Provided by Investing Activities	784,957
 <u>Cash Flows from Non-Capital Financing Activities</u>	
Dividends from Consortium	208,686
Dividends to Members	(208,686)
Net Cash Provided by Non-Capital Financing Activities	0
Net Increase in Cash and Cash Equivalents	958,751
 Cash and Cash Equivalents - Beginning of Year	 1,975,138
Cash and Cash Equivalents - End of Year	\$ 2,933,889
 <u>Reconciliation of Changes in Operating Income to Net Cash from Operating Activities</u>	
Operating (Loss)	\$ 118,942
Changes in Assets and Liabilities:	
Increase (Decrease) in Member Receivables	(3,214)
Increase in Reserve for Unpaid Claims	58,066
Net Cash Provided by (Used in) Operating Activities	\$ 173,794

See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020

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. (SHARP) 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, SHARP provides coverage for automobile liability, general liability, crime and property (including automobile physical damage), law enforcement liability, public official's liability, Directors and Officers liability, employee benefit liability, and lead paint certifications. In addition to the self-insurance pool, SHARP provides risk management services, loss prevention programs and various other educational materials. SHARP 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 State No. 14 and No. 34.

Any Ohio Metropolitan Housing Authority can join SHARP at any time given they have received a majority approval vote from all the members of the Executive Committee. Members agree to remain in SHARP 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.

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 the 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.

SHARP 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 SHARP in total. Each claim will have a \$5,000 deductible which will be paid by the member. SHARP is not responsible for any claims under this policy.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

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

Funding for SHARP's losses and loss expense is accomplished via periodic budgeted contributions to SHARP by SHARP'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 SHARP, 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 SHARP are determined to be insufficient by the Board, the Board has the right to call for supplemental premiums.

SHARP 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, 2020, SHARP'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 thirty days or less when purchased to be cash equivalents. Cash and cash equivalents at November 30, 2020 consist 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.
SCIOTO COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNICANT 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 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.

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 disclosure 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.

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

Net Position

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

As of November 30, 2020, 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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary action of SHARP. For SHARP, 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 SHARP's primary mission. Revenues and expenses not meeting the definition are reported as nonoperating.

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 SHARP 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.

Income Taxes

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

Subsequent Events

Management has evaluated subsequent events through May 26, 2021, 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 \$3,264,973 and the bank balance was \$3,289,330. Of the bank balance, \$510,282 was covered by the Federal Depository Insurance Program with the balance being pledged as pooled collateral by the financial institution's public entity deposit pool in the name of SHARP.

Investments

Investments reported on the Statement of Net Position at November 30, 2020, 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, 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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

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

Credit Risk

Credit risk is the risk that an issuer or counter party to an investment will be unable to fulfill its obligations. SHARP does not have a policy to limit credit risk beyond the requirements of State statute.

Concentration of Credit Risk

Concentration of credit risk is the risk of inability to recover the value of deposits of investments in the possession of an outside party caused by a lack of diversification. SHARP does not have a policy to limit concentration of credit risk.

Interest Rate Risk

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

NOTE 4: **SELF-INSURANCE RETENTION**

SHARP retains responsibility of claims within specified self-insured retention limits prior to the application of coverage by excess reinsurance contracts. SHARP's per occurrence retention limit is \$100,000 for all claims. SHARP 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 SHARP's \$100,000 self-insured amount). PERC had a stop loss retention of \$1,575,000 per year, purchasing excess insurance coverage above its retention.

NOTE 5: **RISK MANAGEMENT**

SHARP has contracted with a third-party administrator, Arthur J. Gallagher Risk Management Services, Inc. to provide management services. SHARP 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 SHARP. The Board of Directors approves payments to the third-party administrators for actual insurance claims processed, insurance premiums, and administrative changes incurred on behalf of SHARP members, except to the extent discretionary authority is granted to Gallagher Bassett Services, Inc. for payment of claims. SHARP may extend an assessment to each member if additional funding is needed to cover expenses.

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

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

NOTE 6: **ADMINISTRATIVE FEES**

SHARP has contracted with Arthur J. Gallagher Risk Management Services, Inc. to provide various management, underwriting, claim adjustments, and loss control services.

NOTE 7: **CLAIMS RESERVE**

As discussed in Note 2, SHARP 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 SHARP during the year are as follows:

Unpaid Claims and Claim Adjustment Expenses	
Beginning of Year	<u>\$ 1,107,465</u>
Incurred Claims and Claim Adjustment Expenses	
Provision for Insured Events of the Current Year	1,279,924
Increase (Decrease) in Provision and Insured Events of Prior Years	<u>(293,189)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>986,735</u>
Payments	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	(489,264)
Claims and Claim Expenses Attributable to Insured Events of Prior Years	<u>(439,405)</u>
Total Payments	<u>(928,669)</u>
Total Unpaid Claims and Claim Adjustments Expenses - End of Year	<u>\$ 1,165,531</u>

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pool Contributions	\$ 2,164,989	\$ 2,184,822	\$ 2,259,523	\$ 2,363,280	\$ 2,507,326	\$ 2,504,853	\$ 2,549,278	\$ 2,613,484	\$ 2,697,361	\$ 2,865,383
PERC Dividends	0	0	0	0	133,648	155,350	165,186	175,368	208,686	211,240
Investment Income	24,579	16,855	6,585	8,950	7,026	10,287	10,354	13,970	23,909	9,923
Insurance Recoveries	46,964	38,095	15,750	9,432	92,704	46,626	78,886	9,686	29,042	9,956
Operating Expenses	1,417,384	1,367,641	1,524,343	1,562,785	1,572,583	1,575,980	1,579,818	1,597,373	1,633,627	1,764,390
Estimated Incurred										
Claims and Expenses	1,078,679	1,051,909	685,118	527,476	885,925	1,182,089	539,977	1,041,073	1,193,183	991,106
<u>Paid (Cumulative) as of:</u>										
End of Year	534,705	515,960	406,050	374,178	388,444	802,533	337,145	549,474	559,222	489,264
One Year Later	700,189	933,334	494,009	511,483	664,228	1,033,310	400,363	838,179	817,604	
Two Years Later	727,770	957,710	568,461	651,945	668,006	1,061,292	420,212	979,922		
Three Years Later	729,690	957,710	580,156	651,945	668,006	1,057,496	459,492			
Four Years Later	761,541	957,914	580,247	651,945	668,006	1,057,496				
Five Years Later	775,157	957,914	580,051	651,945	668,006					
Six Years Later	778,304	957,914	580,051	651,945						
Seven Years Later	778,304	957,710	580,051							
Eight Years Later	778,304	957,710								
Nine Years Later	778,304									
<u>Reestimated Incurred</u>										
<u>Claims and Expense</u>										
End of Year	998,402	1,175,484	766,880	714,195	842,301	1,217,924	617,401	1,064,467	1,231,204	1,279,924
One Year Later	827,500	1,068,859	625,813	694,956	769,745	1,128,277	569,218	1,133,403	1,051,126	
Two Years Later	782,281	1,006,556	623,443	694,972	723,435	1,115,394	536,267	1,062,913		
Three Years Later	791,597	973,245	591,506	659,162	695,707	1,081,700	509,309			
Four Years Later	770,354	957,914	580,247	651,945	668,006	1,066,037				
Five Years Later	775,157	957,914	580,051	651,945	668,006					
Six Years Later	778,304	957,914	580,051	651,945						
Seven Years Later	778,304	957,710	580,051							
Eight Years Later	778,304	957,710								
Nine Years Later	778,304									

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.
SCIOTO COUNTY, OHIO
RATIOS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020

	For the Year Ended November 30		Components of Calculation	For the Year Ended November 30	
	2020	2019		2020	2019
Loss Ratio	89.3%	109.0%	Net Incurred Losses Net Premiums Earned	\$ 982,050 1,100,000	\$ 1,164,141 1,068,000
Expense Ratio	1.5%	2.3%	Expenses Net premiums Earned	16,008 1,100,000	24,266 1,068,000
Combined Ratio	90.7%	111.3%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	0.9%	2.3%	Investment Income Net Premiums Earned	9,923 1,100,000	23,909 1,068,000
Operating Ratio	89.8%	109.0%	Combined Ratio - Net Investment Income Ratio		
Yield on Investment Assets	0.3%	0.8%	Investment Income Cash + Investments	9,923 3,264,973	23,909 3,081,256
Change in Surplus	6.0%	-1.9%	Increase (Decrease) in Surplus Previous Year's Surplus	131,419 2,182,477	(43,180) 2,225,657
Return on Surplus	5.4%	-4.5%	Operating Income (Loss) Previous Year's Surplus	118,942 2,182,477	(100,407) 2,225,657
Net Premium Written to Surplus	.5 : 1%	.5 : 1%	Net Premium Earned Previous Year's Surplus	1,100,000 2,182,477	1,068,000 2,225,657
Current Liquidity	3.0 : 1%	3.0 : 1%	Total Assets Total Liabilities	3,479,427 1,165,531	3,289,942 1,107,465

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 REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
State Housing Authority Risk Pool Association, Inc.
Portsmouth, 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), Scioto County, Ohio as of and for the fiscal year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements and have issued our report thereon dated May 26, 2021.

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

May 26, 2021

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCIOTO COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020**

The prior audit report, for the fiscal year ended November 30, 2019, included no citations, instances of noncompliance, or management letter recommendations.

OHIO AUDITOR OF STATE KEITH FABER



STATE HOUSING AUTHORITY RISK POOL ASSOCIATES, INC.

ADAMS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/24/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov