

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED NOVEMBER 30, 2016**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the State Housing Authority Risk Pool Association, Inc. (SHARP), Adams County, prepared by James G. Zupka, CPA, Inc., for the audit period December 1, 2015 through November 30, 2016. 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. (SHARP) 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 31, 2017

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**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT ACCOUNTANT'S REPORT**

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

The Honorable Dave Yost  
Auditor of State  
The State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the State Housing Authority Risk Pool Association, Inc., (SHARP), Adams County, Ohio as of and for the fiscal year ended November 30, 2016, 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, 2016, 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.

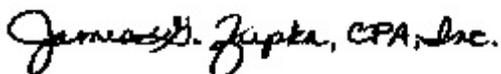
### ***Other Matters***

#### ***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 April 6, 2017, 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

April 6, 2017

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**  
**(UNAUDITED)**

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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, 2016. 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 2016 are as follows:

- SHARP's net position at November 30, 2016 was \$1,688,222.
- 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 \$575,285 at November 30, 2016 compared to \$716,660 at November 30, 2015.
- SHARP had operating revenues from its members of \$2,504,853 and operating expenses of \$2,758,069 for the fiscal year. In addition, SHARP had \$46,626 in claim recoveries, \$155,350 in dividends from PERC and \$10,287 in investment income. These factors resulted in a net decrease in the net position of \$174,601 for the fiscal year.

**REPORTING OF FINANCIAL ACTIVITIES**

The table below shows the changes in net position for the fiscal years ending November 30, 2016 and 2015.

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

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,045,714	\$ 1,713,481
Investments	1,064,734	732,353
Accounts Receivable	<u>155,350</u>	<u>133,649</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,265,798</u>	<u>\$ 2,579,483</u>
<b>Liabilities and Net Position:</b>		
Reserve for Unpaid Claims	\$ 575,285	\$ 716,660
Accounts Payable	2,291	0
Net Position	<u>1,688,222</u>	<u>1,862,823</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,265,798</u>	<u>\$ 2,579,483</u>

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**  
**(UNAUDITED)**

The total assets decreased by \$313,685 or 12.2 percent. The loss reserve amount decreased by \$141,375, or 19.7 percent. These factors resulted in the decrease in net position of \$174,601, or 9.4 percent.

The table below shows the changes in net position for the fiscal years ending November 30, 2016 and 2015.

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

	2016	2015
<b><u>Revenues</u></b>		
Membership Contributions	\$2,504,853	\$ 2,507,325
Excess Insurance Recoveries	46,626	92,704
Investment Income	10,287	7,026
Dividend from Consortium	155,350	133,649
Dividends to Members	<u>(133,648)</u>	<u>(126,927)</u>
<b>Total Revenues</b>	<u>2,583,468</u>	<u>2,613,777</u>
<b><u>Expenses</u></b>		
Insurance Premiums	1,552,259	1,555,825
Claims	1,182,089	885,925
Other	<u>23,721</u>	<u>16,758</u>
<b>Total Expenses</b>	<u>2,758,069</u>	<u>2,458,508</u>
Change in Net Position	(174,601)	155,269
Net Position - Beginning of Year	<u>1,862,823</u>	<u>1,707,554</u>
<b>Net Position - End of Year</b>	<u>\$ 1,688,222</u>	<u>\$ 1,862,823</u>

Member contributions decreased by \$2,472, or 0.1 percent. Excess insurance recoveries decreased by \$46,078, or 49.7 percent. The claims expense increased by \$296,164, or 33.4 percent.

**FINANCIAL MANAGEMENT**

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

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 30, 2016**

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**ASSETS**

Cash and Cash Equivalents	\$ 1,045,714
Investments	1,064,734
Accounts Receivable	<u>155,350</u>
<b>Total Assets</b>	<u><b>2,265,798</b></u>

**LIABILITIES**

Accounts Payable	2,291
Reserve for Unpaid Claims	<u>575,285</u>
<b>Total Liabilities</b>	<u><b>577,576</b></u>

**NET POSITION**

Unrestricted	<u><b>\$ 1,688,222</b></u>
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See accompanying notes to the basic financial statements.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.  
ADAMS COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

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<b><u>OPERATING REVENUES</u></b>	
Membership Contributions	\$ 2,504,853
Excess Insurance Recoveries	<u>46,626</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,551,479</u>
<b><u>OPERATING EXPENSES</u></b>	
Claims	1,182,089
Insurance Premiums	1,552,259
Professional Fees	16,582
Miscellaneous	<u>7,139</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,758,069</u>
Operating Income (Loss)	<u>(206,590)</u>
<b><u>NON-OPERATING REVENUES/EXPENSES</u></b>	
Investment Income	10,287
Dividend from Consortium	155,350
Dividends to Members	<u>(133,648)</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>31,989</u>
Change in Net Position	(174,601)
Net Position - Beginning of Year	<u>1,862,823</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 1,688,222</u></u>

See accompanying notes to the basic financial statements.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash Received for Premiums	\$ 2,504,853
Cash Received for Insurance Recoveries	46,626
Cash Paid for Claims	(1,323,464)
Cash Payments to Vendors for Services and Goods	(21,430)
Cash Paid for Premiums	<u>(1,552,259)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(345,674)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Cash Received from Investment Income	10,287
Purchase of Investments	<u>(332,381)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>(322,094)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>	
Dividends to Members	(133,648)
Dividend from Consortium	<u>133,649</u>
<b>Net Cash Used in Non-Capital Financing Activities</b>	<u>1</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(667,767)
Cash and Cash Equivalents - Beginning of Year	<u>1,713,481</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,045,714</u>
<b><u>RECONCILIATION OF CHANGES IN OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Operating (Loss)	\$ (206,590)
Changes in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	2,291
Increase (Decrease) in Reserve for Unpaid Claims	<u>(141,375)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (345,674)</u>

See accompanying notes to the basic financial statements.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

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**NOTE 1: DESCRIPTION OF THE ORGANIZATION**

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

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

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

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

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

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

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

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

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**  
**(CONTINUED)**

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

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

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

As of November 30, 2016, the Pool's membership consisted of forty Metropolitan Housing Authorities throughout the State of Ohio.

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

**Basis of Accounting and Presentation**

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

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

**Cash and Cash Equivalents**

For cash flow purposes, SHARP considers all highly liquid investments with a maturity of 30 days or less when purchased to be cash equivalents. Cash and cash equivalents at November 30, 2016 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.**  
**ADAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**  
**(CONTINUED)**

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

**Member Contributions**

Member contributions are recognized in the period to which coverage relates.

**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.

**Loss and Loss Adjustment Expense Reserves**

Provisions for claims reserves and loss adjustment are based on information reported by members and are calculated by the Association's claims administrator and actuary. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred, but not reported. Adjustments to this reserve account are charged or credited to the expense in the period in which they are made. The Association's management believes that the estimate of the liability for 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 from the estimated amounts included in the accompanying financial statements. Should the provisions for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

**Subsequent Events**

Management has evaluated subsequent events through April 6, 2017, the date that the financial statements were available to be issued.

**Net Position**

Net position represents the excess of revenues over expenses during the period in which the Association has been in existence. Under certain conditions the Association may distribute all or part of the net position to those members which constituted the self-insurance pool during the years when such surplus member funds were earned.

In the event of the termination of the Association, all members of the Association, past and present, are obligated for any necessary supplementary contributions attributable to years during which they were members. After all claims and related expenses have been properly paid or reserves established for the payment of any such claims, any surplus member funds shall be distributed to members, past and present, in proportion to their interest in such surplus member funds.

SHARP applies restricted resources first when both restricted and unrestricted net position may be used. At November 30, 2016, SHARP has no restricted net position.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,  
ADAMS COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016  
(CONTINUED)**

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

**Reinsurance**

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. 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. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The Pool is contingently liable with respect to certain loss coverages which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

**Use of Estimates**

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

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

At fiscal year-end, the carrying amount of SHARP's deposits were \$2,110,448 and the bank balance was \$2,146,609. Of the bank balance, \$271,817 was covered by the federal depository insurance program with the balance being collateralized with specific collateral pledged in the name of SHARP.

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

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,  
ADAMS COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016  
(CONTINUED)**

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

Investments reported on the Statement of Net Position at November 30, 2016, are non-negotiable certificates of deposits with an original maturity in excess of three months.

**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, 2015 through November 30, 2016, SHARP paid \$1,552,259 to PERC for insurance coverage. In November, 2016 PERC declared a dividend of \$155,350 to the Pool. The dividend had yet to be received by SHARP at November 30, 2016, and so is reported as Accounts Receivable on the Statement of Net Position.

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**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC,  
ADAMS COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016  
(CONTINUED)**

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**NOTE 5: CLAIMS RESERVE**

As discussed in Note 2, the Association establishes a claims reserve liability which includes both reported and unreported insured events and also estimates the future payments of losses and related claim adjustment expenses. The changes in the aggregate liabilities for the Association during 2016 is as follows:

<u>Unpaid Claims and Claim Adjustment Expenses</u>	
Beginning of Year	\$ <u>716,660</u>
<u>Incurred Claims and Claim Adjustment Expenses</u>	
Provision for Insured events of the Current Year	1,217,924
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(96,047)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>1,121,877</u>
<u>Payments</u>	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	(802,533)
Claims and Claim Adjustments Expenses Attributable to Insured Events of Events of Prior Years	<u>(460,719)</u>
Total Payments	<u>(1,263,252)</u>
<u>Total Unpaid Claims and Claim Adjustment Expenses</u>	
End of Year	<u>\$ 575,285</u>

**NOTE 6: DIVIDEND TO MEMBERS**

The pool's Board of Trustees approved payment of dividends to individual members for the policy year 2015-2016 in the total amount of \$133,648.

**NOTE 7: DIVIDEND FROM CONSORTIUM**

The Public Entity Risk Consortium (PERC), of which SHARP is a member, approved payment of dividends to its members for the policy year 2015-2016. The dividend to SHARP approved was \$155,350.

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.**  
**ADAMS COUNTY**  
**CLAIMS DEVELOPMENT INFORMATION**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pool Contributions	\$ 2,144,551	\$ 2,217,360	\$ 2,278,287	\$ 2,206,835	\$ 2,164,989	\$ 2,184,822	\$ 2,259,523	\$ 2,363,280	\$ 2,507,326	\$ 2,504,853
PERC Dividends	-	-	Included in Pool Contributions	-	-	-	-	-	133,648	155,350
Investment Income	64,362	60,370	37,180	24,043	24,579	16,855	6,585	8,950	7,026	10,287
Insurance Recoveries	234,192	28,441	196,338	44,646	46,964	38,095	15,750	9,432	92,704	46,626
Operating Expenses	1,373,749	1,502,027	1,528,390	1,292,622	1,417,384	1,367,641	1,524,343	1,562,785	1,572,583	1,575,980
Estimated Incurred Claims and Expenses	899,944	849,889	723,794	538,737	1,078,679	1,051,909	685,118	527,476	885,925	1,182,089
<b>Paid (Cumulative) as of:</b>										
End of Year	392,730	280,319	332,191	386,953	534,705	515,960	406,050	374,178	388,444	802,533
One Year Later	488,451	678,936	365,923	719,321	700,189	933,334	494,009	511,483	664,228	
Two Years Later	598,186	712,847	366,701	830,843	727,770	957,710	568,461	651,945		
Three Years Later	634,270	734,054	384,990	971,290	729,690	957,710	580,156			
Four Years Later	639,723	731,933	384,990	1,050,925	761,541	957,914				
Five Years Later	639,723	738,332	393,315	1,050,925	775,157					
Six Years Later	639,723	738,331	393,315	1,050,925						
Seven Years Later	639,723	738,331	393,315							
Eight Years Later	639,723	757,289								
Nine Years Later	639,723									
<b>Reestimated Incurred Claims and Expense</b>										
End of Year	736,924	893,007	810,145	872,105	998,402	1,175,484	766,880	714,195	842,301	1,217,924
One Year Later	755,151	791,057	464,520	1,011,136	827,500	1,068,859	625,813	694,956	769,745	
Two Years Later	616,702	769,271	420,603	1,053,183	782,281	1,006,556	623,443	694,972		
Three Years Later	638,941	749,119	384,990	1,049,831	791,597	973,245	591,506			
Four Years Later	639,723	741,386	394,815	1,050,925	770,354	957,914				
Five Years Later	639,723	765,832	393,315	1,050,925	775,157					
Six Years Later	639,723	738,331	393,315	1,050,925						
Seven Years Later	639,723	738,331	393,315							
Eight Years Later	639,723	757,289								
Nine Years Later	639,723									

**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**  
**MAHONING COUNTY**  
**RATIOS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

	For the Year Ended November 30		Components of Calculation	For the Year Ended November 30	
	2016	2015		2016	2015
Loss Ratio	119.5%	93.2%	Net Incurred Losses Net Premiums Earned	\$ 1,182,089 950,000	\$ 885,925 950,000
Expense Ratio	2.5%	1.8%	Expenses Net premiums Earned	23,721 950,000	16,758 950,000
Combined Ratio	122.0%	95.0%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	1.1%	0.7%	Investment Income Net Premiums Earned	10,287 950,000	7,026 950,000
Operating Ratio	120.9%	94.3%	Combine d Ratio - Net Investment Income Ratio		
Yield on Investment Assets	0.5%	0.3%	Investment Income Cash	10,287 2,110,448	7,026 2,445,834
Change in Surplus	-10.5%	8.7%	Increase (Decrease) in Surplus Previous Year's Surplus	(196,303) 1,862,823	148,547 1,707,554
Return on Surplus	-9.4%	9.1%	Operating Income (Loss) Previous Year's Surplus	(174,601) 1,862,823	155,269 1,707,554
Net Premium Written to Surplus	.5:1	.5:1	Net Premium Written Previous Year's Surplus	950,000 1,862,823	950,000 1,707,554
Current Liquidity	3.9:1	3.6:1	Total Assets Total Liabilities	2,265,798 577,576	2,579,483 716,660

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 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of State Housing Authority Risk Pool Association, Inc. (SHARP), Adams County, Ohio as of and for the fiscal year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements and have issued our report thereon dated April 6, 2017.

**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

April 6, 2017

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.  
STATUS OF PRIOR YEAR'S AUDIT CITATIONS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

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The prior audit report, for the fiscal year ended November 30, 2015, 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

**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  
JUNE 13, 2017**