

**OHIO HOUSING AUTHORITY  
PROPERTY AND CASUALTY, INC.  
SELF-INSURANCE POOL  
MAHONING COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2019**

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



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Directors  
Ohio Housing Authority Property and Casualty, Inc.  
131 West 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, 2018 through November 30, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

May 7, 2020

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**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

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

*Certified Public Accountants*

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*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Ohio Housing Authority Property and Casualty, Inc.  
Youngstown, 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 Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), Mahoning County, Ohio as of and for the fiscal year ended November 30, 2019, 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, 2019, 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 February 20, 2020, 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, President**  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgz@jgzcpa.com, c=US  
Date: 2020.04.13 08:35:24 -04'00'

February 20, 2020



**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.  
 MAHONING COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

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, 2019. 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 2019 are as follows:

- OHAPCI's net financial position at November 30, 2019 was \$1,301,353.
- 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 \$1,358,779 at November 30, 2019 compared to \$1,007,005 at November 30, 2018.
- OHAPCI had operating revenues from its members of \$1,917,068 and operating expenses of \$2,174,300 for the fiscal year. In addition, OHAPCI had \$88,826 in claim recoveries and \$47,644 in investment income, and received a provider refund of \$160,985. These factors resulted in a net increase in the net position of \$40,223 for the fiscal year.

**REPORTING OF FINANCIAL ACTIVITIES**

The table below provides a summary of OHAPCI's net position for November 30, 2019 and 2018.

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

	2019	2018
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 1,595,484	\$ 850,904
Investments	903,663	1,245,886
Accounts Receivable	160,985	171,345
<b>Total Assets</b>	<b>2,660,132</b>	<b>2,268,135</b>
<b><u>Liabilities and Net Position</u></b>		
Reserve for Unpaid Claims	1,358,779	1,007,005
Accounts Payable	0	0
Net Position	1,301,353	1,261,130
<b>Total Liabilities and Net Position</b>	<b>\$ 2,660,132</b>	<b>\$ 2,268,135</b>

Total assets increased by \$391,997 or 17.3 percent. The loss reserve amount increased by \$351,774, or 34.9 percent. These factors resulted in the increase in net position of \$40,223, or 3.2 percent.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

The table below shows the changes in net position for the fiscal years ending November 30, 2019 and 2018.

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

	2019	2018
<b>Revenues</b>		
Membership Income	\$ 1,917,068	\$ 1,904,315
Claim Recoveries	88,826	68,036
Interest Income	47,644	30,084
Provider Refunds	160,985	171,345
<b>Total Revenues</b>	<b>2,214,523</b>	<b>2,173,780</b>
<b>Expenses</b>		
Insurance Premiums	1,217,068	1,204,003
Claims	937,631	1,272,297
Other	19,601	18,330
Total Operating Expenses	2,174,300	2,494,630
<b>Change in Net Position</b>	<b>40,223</b>	<b>(320,850)</b>
Net Position - Beginning of Year	1,261,130	1,581,980
<b>Net Position - End of Year</b>	<b>\$ 1,301,353</b>	<b>\$ 1,261,130</b>

Member income increased by \$12,753, or .7 percent. The claim recoveries increased by \$20,790, or 30.6 percent. The claims expense decreased by \$334,666 or 26.3 percent.

The actual claims expenses are not predictable by the Pool 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 Ohio Housing Authority Property and Casualty, 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 Gary Cameron, 131W. Boardman Street, Youngstown, Ohio 44503.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 30, 2019**

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**Assets**

Cash and Cash Equivalents	\$ 1,595,484
Investments	903,663
Accounts Receivable	160,985
<b>Total Assets</b>	<b><u>2,660,132</u></b>

**Liabilities**

Reserve for Unpaid Claims	1,358,779
<b>Total Liabilities</b>	<b><u>1,358,779</u></b>

**Net Position**

Unrestricted	<b><u>\$ 1,301,353</u></b>
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See accompanying notes to the financial statements.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.  
MAHONING COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

<b><u>Operating Revenues</u></b>	
Membership Contributions	\$ 1,917,068
Excess Insurance Recoveries	88,826
<b>Total Operating Revenues</b>	<b><u>2,005,894</u></b>
<b><u>Operating Expenses</u></b>	
Claims	937,631
Insurance Premiums	1,217,068
Professional Fees	14,276
Miscellaneous	5,325
<b>Total Operating Expenses</b>	<b><u>2,174,300</u></b>
Operating Income (Loss)	<b><u>(168,406)</u></b>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest and Investment Income	47,644
Dividend from Consortium	160,985
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>208,629</u></b>
Change in Net Position	40,223
Net Position - Beginning of Year	<u>1,261,130</u>
<b>Net Position - End of Year</b>	<b><u>\$ 1,301,353</u></b>

See accompanying notes to the financial statements.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.  
MAHONING COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received for Premiums	\$ 1,917,068
Cash Received for Insurance Recoveries	88,826
Cash Paid for Claims	(585,857)
Cash Payments to Vendors for Services and Goods	(19,601)
Cash Paid for Premiums	(1,217,068)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>183,368</b>
<b><u>Cash Flows from Investing Activities</u></b>	
Cash Received from Investment Income	47,644
Cash Transferred from Investments	342,223
<b>Net Cash Provided by Investing Activities</b>	<b>389,867</b>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>	
Dividends from Consortium	171,345
Dividends to Members	0
<b>Net Cash Used in Non-Capital Financing Activities</b>	<b>171,345</b>
Net Increase (Decrease) in Cash and Cash Equivalents	744,580
 Cash and Cash Equivalents - Beginning of Year	 850,904
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,595,484</b>
<b><u>Reconciliation of Changes in Operating Income to Net Cash from Operating Activities</u></b>	
Operating (Loss)	\$ (168,406)
Changes in Assets and Liabilities:	
Increase (Decrease) in Reserve for Unpaid Claims	351,774
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 183,368</b>

See accompanying notes to the financial statements.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

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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. OHAPCI 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 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 – an Amendment of GASB Statement No. 10*, 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, 2019 consist of funds or deposits in banks and money market funds.

**Investments**

Investments are reported as assets and are carried at fair market 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.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**  
**(CONTINUED)**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities 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 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 are 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.

**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, 2019, OHAPCI does not have any "restricted" net position. OHAPCI's 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.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**  
**(CONTINUED)**

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

**Net Position** (Continued)

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 20, 2020, the date that the financial statements were available to be issued.

**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.

**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 \$1,595,484 and the bank balance was \$1,602,123. Of the bank balance, \$559,568 was covered by the Federal Depository Insurance. The remaining balance of \$1,042,555 was exposed to custodial risk as described below.



**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**  
**(CONTINUED)**

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

**Custodial Credit Risk**

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. OHAPCI's financial institutions had enrolled in OPS as of November 30, 2019.

**Investments**

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

Investment Type	Fair Value	Investment Maturities (in Years)		
		< 1	1-2	> 2
US Treasury 2.25%, 2/29/2020	\$ 100,125	\$ 100,125	\$ 0	\$ 0
US Treasury 2.375%, 4/30/2020	200,594	200,594	0	0
US Treasury 2.625%, 5/15/2021	253,359	0	253,359	0
FNMA 1.5% , 11/30/2020	99,821	99,821	0	0
FNMA 1.25%, 2/24/2020	99,904	99,904	0	0
US Treasury N/B 1.125%, 12/31/2019	49,969	49,969	0	0
US Treasury N/B 1.25%, 2/29/2020	99,891	99,891	0	0
<b>Total</b>	<b>\$ 903,663</b>	<b>\$ 650,304</b>	<b>\$ 253,359</b>	<b>\$ 0</b>

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).

**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.

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**  
**(CONTINUED)**

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

**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.

**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.

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 in effect for the specific years to which the supplementary payments apply.

NOTE 6: **ADMINISTRATIVE FEES**

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

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**  
**(CONTINUED)**

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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 2019 is as follows:

<b>Unpaid Claims and Claim Adjustment Expenses</b>	
Beginning of Year	<u>\$ 1,007,005</u>
<b>Incurred Claims and Claim Adjustment Expenses</b>	
Provision for Insured Events of the Current Year	1,158,314
Increase (Decrease) in Provision and Insured Events of Prior Years	<u>(202,517)</u>
<b>Total Incurred Claims and Claim Adjustment Expenses</b>	<u>955,797</u>
<b>Payments</b>	
Claims and Claim Adjustment Expenses Attributable to Insured	
Events of the Current Year	(195,940)
Claims and Claim Expenses Attributable to Insured Events of	
Prior Years	<u>(408,083)</u>
<b>Total Payments</b>	<u>(604,023)</u>
<b>Total Unpaid Claims and Claim Adjustments Expenses - End of Year</b>	<u><u>\$ 1,358,779</u></u>

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.  
MAHONING COUNTY, OHIO  
CLAIMS DEVELOPMENT INFORMATION  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pool Contributions	\$ 1,794,662	\$ 1,910,189	\$ 1,799,364	\$ 1,986,455	\$ 1,878,906	\$ 1,972,027	\$ 1,630,448	\$ 1,954,253	\$ 1,904,315	\$ 1,917,068
Investment Income	4,387	7,170	8,834	9,462	8,754	12,420	12,498	16,847	30,084	47,644
Expenses	1,271,718	1,283,233	1,032,536	1,214,963	1,120,671	1,189,112	1,217,684	1,328,269	1,222,333	1,236,669
Estimated Incurred Claims and Expenses	179,173	416,635	429,032	348,765	837,078	181,859	611,567	814,532	1,272,297	937,631
Reestimated Incurred Claims and Expenses:										
End of Year	525,006	690,984	932,738	633,339	1,114,194	658,111	781,115	980,019	1,227,850	1,158,314
One Year Later	403,264	414,928	807,391	458,561	807,410	545,664	701,940	735,404		
Two Years Later	267,085	339,618	635,836	403,907	689,869	515,430	770,900			
Three Years Later	247,049	284,767	589,586	392,471	666,830	519,008				
Four Years Later	222,607	281,212	589,586	385,194	666,830					
Five Years Later	225,285	281,212	589,586	385,194						
Six Years Later	227,740	281,212	589,586							
Seven Years Later	227,740	281,212								
Eight Years Later	227,740									
Nine Years Later										
Paid (cumulative) as of:										
End of Year	136,420	131,944	198,788	141,994	333,512	48,514	145,534	307,039	461,881	195,939
One Year Later	203,823	198,078	640,045	384,927	589,575	380,081	558,155	640,210		
Two Years Later	212,848	219,872	567,039	385,194	666,830	480,253	636,356			
Three Years Later	216,808	240,346	589,586	385,194	666,830	507,711				
Four Years Later	222,607	281,212	589,586	385,194	666,830					
Five Years Later	225,285	281,212	589,586	385,194						
Six Years Later	227,740	281,212	589,586							
Seven Years Later	227,740	281,212								
Eight Years Later	227,740									
Nine Years Later	227,740									

**Notes**

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

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.**  
**MAHONING COUNTY, OHIO**  
**RATIOS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

	For the Year Ended November 30		Components of Calculation	For the Year Ended November 30	
	2019	2018		2019	2018
Loss Ratio	121.3%	172.0%	Net Incurred Losses Net Premiums Earned	\$ 848,805 700,000	\$ 1,204,261 700,000
Expense Ratio	2.8%	2.6%	Expenses Net premiums Earned	19,601 700,000	18,330 700,000
Combined Ratio	124.1%	174.6%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	6.8%	4.3%	Investment Income Net Premiums Earned	47,644 700,000	30,084 700,000
Operating Ratio	117.3%	170.3%	Combined Ratio - Net Investment Income Ratio		
Yield on Investment Assets	1.9%	1.4%	Investment Income Cash and Investments	47,644 2,499,147	30,084 2,096,790
Change in Surplus	3.2%	-20.3%	Increase (Decrease) in Surplus Previous Year's Surplus	40,223 1,261,130	(320,850) 1,581,980
Return on Surplus	-13.4%	-33.0%	Operating Income (Loss) Previous Year's Surplus	(168,406) 1,261,130	(522,279) 1,581,980
Net Premium Written to Surplus	.6:1	.4: 1	Net Premium Written Previous Year's Surplus	700,000 1,261,130	700,000 1,581,980
Current Liquidity	1.9:1%	2.2:1%	Total Assets Total Liabilities	2,660,132 1,358,779	2,268,135 1,007,005

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*

Member American Institute of Certified Public Accountants

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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  
Ohio Housing Authority Property and  
Casualty, Inc.  
Youngstown, 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 Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), Mahoning County, Ohio as of and for the fiscal year ended November 30, 2019, and the related notes to the financial statements, which collectively comprise OHAPCI's basic financial statements and have issued our report thereon dated February 20, 2020.

### **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.

**James G. Zupka,**

**CPA, President**

James G. Zupka, CPA, Inc.

Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James  
G. Zupka, CPA, Inc., ou=Accounting,  
email=jgz@jgzcpa.com, c=US  
Date: 2020.04.13 08:35:48 -04'00'

February 20, 2020

**OHIO HOUSING AUTHORITY PROPERTY AND CASUALTY, INC.  
MAHONING COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

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The prior audit report, as of November 30, 2018, included no citations, instances of noncompliance, or management letter recommendations.



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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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 21, 2020**