

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2022**

Zupka & Associates
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
State Housing Authority Risk Pool Associates, Inc.
14129 State Rd
North Royalton, OH 44133

We have reviewed the *Independent Auditor's Report* of the State Housing Authority Risk Pool Associates, Inc., Adams County, prepared by Zupka & Associates, for the audit period December 1, 2021 through November 30, 2022. 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 Associates, 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 13, 2023

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STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
AUDIT REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

State Housing Authority Risk Pool Association, Inc.
14129 State Road
North Royalton, Ohio 44133

To the Board of Directors:

Report on the Financial Statements

Opinion

We have audited the financial statements of the State Housing Authority Risk Pool Association, Inc. (SHARP), Cuyahoga County, Ohio as of and for the fiscal year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the State Housing Authority Risk Pool Association, Inc., Cuyahoga County, Ohio as of November 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SHARP, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SHARP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SHARP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and *Claims Development Information*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 assurance.

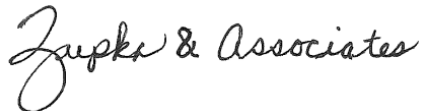
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Ratios as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023, on our consideration of SHARP'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 solely 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 the effectiveness of SHARP's 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.



Zupka & Associates
Certified Public Accountants

May 30, 2023

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022**

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, 2022. 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 2022 are as follows:

- SHARP’s net financial position at November 30, 2022 was \$2,760,661.
- 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 were \$1,008,733 at November 30, 2022 compared to \$712,182 at November 30, 2021.
- SHARP had gross operating revenues from its members of \$3,394,760 and operating expenses of \$3,697,278 for the fiscal year. In addition, there were \$26,192 in claim recoveries, \$191,946 in dividends from PERC and \$709 in investment income. SHARP declared dividends to its members of \$204,802 which was used to reduce the 2021-2022 premiums from members. These factors resulted in a net decrease in net position of \$288,473 for the fiscal year.

REPORTING OF FINANCIAL ACTIVITIES

The table below shows the changes in net position for the fiscal years ending November 30, 2022 and 2021.

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

	2022	2021
<u>Assets</u>		
Cash and Cash Equivalents	\$ 3,230,304	\$ 3,209,886
Investments	343,930	343,414
Accounts Receivable	195,160	208,016
Total Assets	\$ 3,769,394	\$ 3,761,316
<u>Liabilities and Net Position</u>		
Reserve for Unpaid Claims	\$ 1,008,733	\$ 712,182
Net Position	2,760,661	3,049,134
Total Liabilities and Net Position	\$ 3,769,394	\$ 3,761,316

Total assets increased by \$8,078 or 0.2 percent. The loss reserve amount increased by \$296,551, or 41.6 percent. These factors resulted in the decrease in net position of \$288,473, or 9.5 percent.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

The table below shows the changes in net position for the fiscal years ending November 30, 2022 and 2021.

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

	2022	2021
<u>Revenues</u>		
Member Income	\$ 3,394,760	\$ 3,161,220
Claim Recoveries	26,192	37,547
Interest Income	709	12,546
Dividend from Consortium	191,946	204,802
Dividends to Members	(204,802)	(211,240)
Total Revenues	3,408,805	3,204,875
<u>Expenses</u>		
Insurance Premiums	2,202,153	1,993,505
Claims	1,469,663	460,491
Other	25,462	15,641
Total Operating Expenses	3,697,278	2,469,637
Change in Net Position	(288,473)	735,238
Net Position - Beginning of Year	3,049,134	2,313,896
Net Position - End of Year	\$ 2,760,661	\$ 3,049,134

Member income increased by \$233,540, or 7.4 percent. The claim recoveries decreased by \$11,355, or 30.2 percent. The claims expense increased by \$1,009,172 or 219.2 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 Sal Consiglio, CPA, 14129 State Road, North Royalton, Ohio 44133.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
STATEMENT OF NET POSITION
NOVEMBER 30, 2022

Assets

Cash and Cash Equivalents	\$ 3,230,304
Investments	343,930
Member Receivables	3,214
Consortium Receivable	191,946
Total Current Assets	<u>3,769,394</u>

Liabilities

Reserve for Unpaid Claims	<u>1,008,733</u>
Total Current Liabilities	<u>1,008,733</u>

Net Position

Unrestricted	<u>\$ 2,760,661</u>
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See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

<u>Operating Revenues</u>	
Member Income	\$ 3,394,760
Claim Recoveries	26,192
Total Operating Revenues	<u>3,420,952</u>
 <u>Operating Expenses</u>	
Claims Expense	1,469,663
Insurance Premiums for Coverage	2,202,153
Professional Fees	17,117
Miscellaneous Expenses	8,345
Total Operating Expenses	<u>3,697,278</u>
Operating Income (Loss)	<u>(276,326)</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Investment Income	709
Dividend from Consortium	191,946
Dividends to Members	(204,802)
Total Nonoperating Revenues (Expenses)	<u>(12,147)</u>
Change in Net Position	(288,473)
 Net Position - Beginning of Year	 <u>3,049,134</u>
 Net Position - End of Year	 <u><u>\$ 2,760,661</u></u>

See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

<u>Cash Flows from Operating Activities</u>	
Cash Received for Member Premiums	\$ 3,394,760
Cash Received for Claim Recoveries	26,192
Cash Paid for Claims	(1,173,112)
Cash Payments to Vendors for Services and Goods	(25,462)
Cash Paid for Premiums	(2,202,153)
Net Cash Provided by Operating Activities	<u>20,225</u>
<u>Cash Flows from Investing Activities</u>	
Cash Received from Investment Income	709
Cash Paid into Investments	(516)
Net Cash Provided by Investing Activities	<u>193</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Dividends from Consortium	204,802
Dividends to Members	(204,802)
Net Cash Provided by Non-Capital Financing Activities	<u>0</u>
Net Increase in Cash and Cash Equivalents	20,418
Cash and Cash Equivalents - Beginning of Year	<u>3,209,886</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,230,304</u>
<u>Reconciliation of Changes in Operating Income to Net Cash Flows from Operating Activities</u>	
Operating Income (Loss)	\$ (276,326)
Changes in Assets and Liabilities:	
Increase/(Decrease) in Reserve for Unpaid Claims	296,551
Net Cash Provided by (Used in) Operating Activities	<u>\$ 20,225</u>

See accompanying notes to the financial statements.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

NOTE 1: DESCRIPTION OF THE ORGANIZATION

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 Statements 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.

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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022
(CONTINUED)

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

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, 2022, 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, 2022 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.

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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022
(CONTINUED)

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and 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, 2022, SHARP does not have any "restricted" net position. SHARP's Board of Trustees may authorize the distribution of the net position to those members who constituted the self-insurance pool during the years when such net position was earned, provided that such members must also be members of SHARP in the years in which said distribution was made.

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary action of 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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022
(CONTINUED)

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

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 and transactions occurring subsequent to the Statement of Net Position for recognition and disclosure in the accompanying financial statements through the date that the financial statements were issued, and has determined there were no material subsequent events or transactions.

NOTE 3: **DEPOSITS AND INVESTMENTS**

State statutes classify monies held by SHARP into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the SHARP treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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 was \$3,230,304 and the bank balance was \$3,277,323. Of the bank balance, \$264,073 was covered by the Federal Depository Insurance Program with the balance being collateralized by the financial institution's public entity deposit pool or specific collateral.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022
(CONTINUED)

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

Investments

Investments reported on the Statement of Net Position at November 30, 2022, are non-negotiable certificates of deposits with an original maturity in excess of three months. Of the balance of \$343,930, \$250,000 was covered by the federal depository insurance program with the balance being collateralized by the financial institution's public entity deposit pool or specific collateral.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of bank failure, SHARP will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of SHARP'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 SHARP 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. SHARP's financial institution was approved for a reduced collateral rate of 50 percent through OPCS.

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 or 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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022
(CONTINUED)

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 \$1,650,000 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.

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.

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022
(CONTINUED)

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:

	For the year ended November 30, 2022
Unpaid Claims and Claim Adjustment Expenses	
Beginning of the Period	\$ 712,182
Incurred Claims and Claim Adjustment Expenses	
Provision for Insured Events of the Current Period	1,467,580
Increase (Decrease) in Provision and Insured Events of Prior Years	(161,889)
Total Incurred Claims and Claim Adjustment Expenses	1,305,691
Payments	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	(766,500)
Claims and Claim Expenses Attributable to Insured Events of Prior Years	(242,640)
Total Payments	(1,009,140)
Total Unpaid Claims and Claim Adjustments Expenses	
End of the Period	\$ 1,008,733

STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pool Contributions	\$ 2,259,523	\$ 2,363,280	\$ 2,507,326	\$ 2,504,853	\$ 2,549,278	\$ 2,613,484	\$ 2,697,361	\$ 2,865,383	\$ 3,161,220	\$ 3,394,760
PERC Dividends	0	0	133,648	155,350	165,186	175,368	208,686	211,240	204,802	191,946
Investment Income	6,585	8,950	7,026	10,287	10,354	13,970	23,909	9,923	12,546	709
Insurance Recoveries	15,750	9,432	92,704	46,626	78,886	9,686	29,042	9,056	0	26,192
Operating Expenses	1,524,343	1,562,785	1,572,583	1,575,980	1,579,818	1,597,373	1,633,627	1,764,390	2,009,146	2,227,615
Estimated Incurred										
Claims and Expenses	685,118	527,476	885,925	1,182,089	539,977	1,041,073	1,193,183	991,106	460,491	1,469,663
<u>Paid (Cumulative) as of:</u>										
End of Year	406,050	374,178	388,444	802,533	337,145	549,474	559,222	489,264	307,859	766,500
One Year Later	494,009	511,483	664,228	1,033,310	400,363	838,179	817,604	1,016,681	550,952	
Two Years Later	568,461	651,945	668,006	1,061,292	420,212	979,922	935,322	988,213		
Three Years Later	580,156	651,945	668,006	1,057,496	459,492	978,564	963,323			
Four Years Later	580,247	651,945	668,006	1,057,496	472,132	978,564				
Five Years Later	580,051	651,945	668,006	1,057,496	472,146					
Six Years Later	580,051	651,945	668,006	1,057,496						
Seven Years Later	580,051	651,945	668,006							
Eight Years Later	580,051	651,945								
Nine Years Later	580,051									
<u>Reestimated Incurred</u>										
<u>Claims and Expense</u>										
End of Year	766,880	714,195	842,301	1,217,924	617,401	1,064,467	1,231,204	1,279,924	740,401	1,467,580
One Year Later	625,813	694,956	769,745	1,128,277	569,218	1,133,403	1,051,126	1,158,972	688,625	
Two Years Later	623,443	694,972	723,435	1,115,394	536,267	1,062,913	1,046,666	1,080,035		
Three Years Later	591,506	659,162	695,707	1,081,700	509,309	996,579	1,034,671			
Four Years Later	580,247	651,945	668,006	1,066,037	480,122	985,374				
Five Years Later	580,051	651,945	668,006	1,057,496	472,146					
Six Years Later	580,051	651,945	668,006	1,057,496						
Seven Years Later	580,051	651,945	668,006							
Eight Years Later	580,051	651,945								
Nine Years Later	580,051									

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.
RATIOS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

	For the Year Ended November 30		<u>Components of Calculation</u>	For the Year Ended November 30	
	2022	2021		2022	2021
Loss Ratio	125.1%	40.0%	Net Incurred Losses Net Premiums Earned	\$ 1,469,663 1,175,010	\$ 460,491 1,150,000
Expense Ratio	2.2%	1.4%	Expenses Net premiums Earned	25,462 1,175,010	15,641 1,150,000
Combined Ratio	127.3%	41.4%	Loss Ratio + Expense Ratio		
Net Investment Income Ratio	0.1%	1.1%	Investment Income Net Premiums Earned	709 1,175,010	12,546 1,150,000
Operating Ratio	127.2%	37.1%	Combined Ratio - Net Investment Income Ratio		
Yield on Investment Assets	0.0%	0.4%	Investment Income Cash + Investments	709 3,574,234	12,546 3,553,300
Change in Surplus	-9.5%	31.8%	Increase (Decrease) in Surplus Previous Year's Surplus	(288,473) 3,049,134	735,238 2,313,896
Return on Surplus	-9.1%	31.5%	Operating Income (Loss) Previous Year's Surplus	(276,326) 3,049,134	729,130 2,313,896
Net Premium Written to Surplus	.38 : 1	.5 : 1	Net Premium Earned Previous Year's Surplus	1,175,010 3,049,134	1,150,000 2,313,896
Current Liquidity	3.7 : 1	5.2 : 1	Total Assets Total Liabilities	3,769,394 1,008,733	3,761,316 712,182

The above ratios are presented to assist HUD in their review of the financial statements.

**INDEPENDENT AUDITOR'S 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**

State Housing Authority Risk Pool Association, Inc.
14129 State Road
North Royalton, Ohio 44133

To the Board of Directors:

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 the State Housing Authority Risk Pool Association, Inc. (SHARP) as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements, and have issued our report thereon dated May 30, 2023.

Report on 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 on 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.

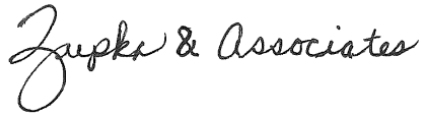
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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.



Zupka & Associates
Certified Public Accountants

May 30, 2023

**STATE HOUSING AUTHORITY RISK POOL ASSOCIATION, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022**

The prior audit report, for the fiscal year ended November 30, 2021, 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 6/27/2023

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