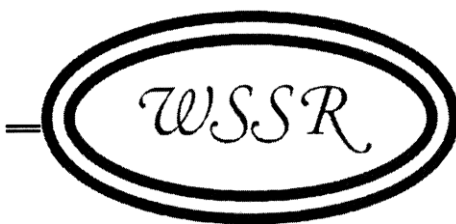


CHILlicothe METROPOLITAN HOUSING AUTHORITY

Ross County, Ohio

Financial Statements

For the Year Ended September 30, 2016



Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Dave Yost • Auditor of State

Board of Directors
Chillicothe Metropolitan Housing Authority
178 W Fourth Street
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period October 1, 2015 through September 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 Chillicothe Metropolitan Housing Authority 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 22, 2017

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CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

March 17, 2017

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Chillicothe Metropolitan Housing Authority (the Authority), Ross County, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 opinions 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 the entity'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 the entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of September 30, 2016, and the changes in financial position and cash flows thereof for the 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 on pages 3 through 8, the Schedule of the Authority's Proportionate Share of the Net Position Liability on page 31, and the Schedule of Authority Contributions on page 32, 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementing financial data schedules are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General and are not a required part of the financial statements. The schedule of expenditures of federal awards provides additional information required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is presented for purpose of additional analysis, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

Whited Seigneur Sams & Rahe

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
MANAGEMENT, DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

Management's Discussion and Analysis for the year ended September 30, 2016.

This Management's Discussion and Analysis (MD&A) for the Chillicothe Metropolitan Housing Authority (Chillicothe MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Chillicothe MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended September 30, 2016, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The Basic Financial Statements included elsewhere in this report are:

- the Statement of Net Position,
- the Statement of Revenues, Expenses & Changes in Net Position, and
- the Statement of Cash Flows.

The **Statement of Net Position** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it essentially reports the value of assets Chillicothe MHA holds at 9/30/16, that is, the cash Chillicothe MHA has, the amounts that are owed Chillicothe MHA from others, and the value of the equipment Chillicothe MHA owns. In the other half of the report it essentially shows the liabilities Chillicothe MHA has, that is, what Chillicothe MHA owes others at 9/30/16; and what Net Position (or what is commonly referred to as Equity) Chillicothe MHA has at 9/30/16. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet.

In the statement, the Net Position part is broken out into three broad categories:

- Net Investment in Capital Assets,
- Restricted Net Position, and
- Unrestricted Net Position.

The balance in Net Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, & equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owed on those assets.

The balance in Restricted Net Position reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when the use of those assets is restricted by constraints placed on the assets by creditors.

The balance in Unrestricted Net Position is what is left over of Net Position after what is classified in the two previously mentioned components of Net Position. It reflects the value of assets available to Chillicothe MHA to use to further its purposes.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
MANAGEMENT, DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

The **Statement of Revenues, Expenses & Changes in Net Position** is very similar to and may commonly be referred to as an Income Statement. It is in essence a report showing what Chillicothe MHA earned, that is what its revenues or incomes were, versus what expenses Chillicothe MHA had over the same period. And then it shows how the Net Position (or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Chillicothe MHA had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected Net Position (or equity). The bottom line of the report, the Ending Total Net Position, is what is referred to in the above discussion of the Statement of Net Position.

The **Statement of Cash Flows** is a report that shows how the amount of cash Chillicothe MHA had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in and the cash going out. It helps the reader to understand the sources and uses of cash by Chillicothe MHA during the year to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

Chillicothe MHA's Business Type Funds

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business type funds of Chillicothe MHA. Chillicothe MHA consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Chillicothe MHA's programs include the following:

- the Low Rent Public Housing program,
- the Development Program,
- the Section 8 Housing Choice Voucher program,
- the PIH Family Self-sufficiency program, and
- the Central Office Cost Center.

Low Rent Public Housing program - Chillicothe MHA rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with HUD, HUD provides an operating subsidy to Chillicothe MHA to help support the operations of the program. In addition, HUD provides funds for physical improvements to Chillicothe MHA's properties and funds for management improvements through Capital Fund Program grants.

Development program – Chillicothe MHA's further development of low income housing under the Public Housing program.

Section 8 Housing Choice Voucher program - Chillicothe MHA subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

PIH Family Self-sufficiency program - HUD provides Chillicothe MHA grant funding that is used to enable public housing and section 8 program residents to attain self-sufficiency and economic independence.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
MANAGEMENT, DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

Central Office Cost Center (COCC) – Chillicothe MHA created a COCC to account for non-project/non-program specific costs of the former central administrative and executive management function. Costs of the COCC are supported by management fees, asset management fees, bookkeeping fees, and front line service fees charged the other agency programs.

Condensed Financial Statements

The following is a condensed **Statement of Net Position** compared to the prior year-end. Chillicothe MHA is engaged only in business type activities.

Table 1- Condensed Statement of Net Position Compared to Prior Year
(Values Rounded to Nearest Thousand)

	2016	2015
<u>Assets and Deferred Outflows of Resources</u>		
Current and Other Assets	\$ 1,991,000	\$ 1,810,000
Capital Assets	6,786,000	7,312,000
Deferred Outflows of Resources	311,000	67,000
Total Assets and Deferred Outflows of Resources	<u>\$ 9,088,000</u>	<u>\$ 9,189,000</u>
<u>Liabilities</u>		
Current Liabilities	\$ 267,000	\$ 206,000
Long-Term Liabilities	899,000	584,000
Total Liabilities	<u>1,166,000</u>	<u>790,000</u>
Deferred Inflows of Resources	<u>15,000</u>	<u>8,000</u>
<u>Net Position</u>		
Net Investment in Capital Assets	6,786,000	7,312,000
Restricted	0	16,000
Unrestricted	1,121,000	1,063,000
Total Net Position	<u>7,907,000</u>	<u>8,391,000</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 9,088,000</u>	<u>\$ 9,189,000</u>

For more detailed information see Statement of Net Position presented elsewhere in this report

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
MANAGEMENT, DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

Current assets increased by slightly more than 10% over the prior year-end, by almost \$181,000. The gain was in amounts due the agency from HUD. Offsetting increases were to current liabilities and unrestricted net position. The increase in current liabilities was about \$61,000 (or 30%) and was due to a timing issue, invoices and payroll liabilities due at year-end just were not paid until into the next year. The increase in unrestricted net position (about \$58,000) is a reflection of a favorable operating year to be discussed more in the next section about changes in revenues and expenses. The reduction in capital assets and component of net position called net investment in capital assets, as will be addressed in a coming section, reflects that depreciation on existing assets exceeded current period additions to capital assets.

Large increases were realized in deferred outflow of resources, and net pension liability included in what is reported as non-current liabilities in the table. These balances reported pursuant to the relatively new accounting standard called GASB 68, truly do not reflect an operating issue at Chillicothe MHA but rather reflect changes at the Public Employees Retirement System. GASB 68 requires Chillicothe MHA to report on its financial statements what is determined to be its share of the unfunded pension liability and related balances of the Ohio Public Employees Retirement System (OPERS). The concept behind the standard is for OPERS to resolve the unfunded pension liability it has, it will have to impose an additional funding burden on the entities that contribute to it. State law mandates that employees of Chillicothe MHA are participants in OPERS and that Chillicothe MHA makes retirement contributions to OPERS on behalf of all of its employees. But unlike other liabilities the agency reports at 9/30/16, the net pension liability does not represent an invoice to be paid by the Authority after 9/30/16.

The following is a modified **Statement of Revenues, Expenses & Changes in Net Position**. Chillicothe MHA is engaged only in business type activities.

Table 2- Modified Statement of Revenues, Expenses, and Changes in Net Position
(Values Rounded to Nearest Thousand)

	2016	2015
<u>Revenues</u>		
Tenant Revenues - Rents and Others	\$ 819,000	\$ 751,000
Operating Subsidies and Grants	4,555,000	3,954,000
Capital Grants	124,000	365,000
Investment Income	1,000	1,000
Other Revenues	10,000	65,000
Total Revenues	5,509,000	5,136,000
<u>Expenses</u>		
Administrative	854,000	756,000
Tenant Services	127,000	118,000
Utilities	324,000	351,000
Maintenance	1,354,000	961,000
General	233,000	249,000
Housing Assistance Payments	2,450,000	2,337,000
Depreciation	651,000	680,000
Total Expenses	5,993,000	5,452,000
Prior Period Adjustment	0	(425,000)
Net (Decrease) in Net Position	\$ (484,000)	\$ (741,000)

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
MANAGEMENT, DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

Overall revenue increased by about \$373,000 (or 7%). The increase in tenant revenues and offsetting drop in other revenue primarily reflects a change in how revenues are classified. The drop in capital grant revenue reflects that less of the Capital Fund Program grant spent in this period was used to make capital improvements versus repairs. In fact, Capital Fund Program revenue remained virtually unchanged from the prior year. Operating subsidies increased considerably in the period, both for the Public Housing program and the Section 8 Housing Choice Voucher program. The Public Housing program benefitted from HUD being able to pay subsidy at higher percentages of subsidy eligibility than in prior years, and the Voucher program revenue primarily increased because of steps taken by management to increase lease up, to provide more families with rental assistance, in the program in the period.

Expenses also increased overall, by about \$541,000 (or 10%). A notable increase was in administrative expense, primarily due to increases the cost of providing benefits to the agency employee group. Maintenance costs also increased considerably. As was noted in the paragraph above, Capital Fund Program revenue remained virtually unchanged but the part used to make capital improvements dropped and so did the capital grant revenue. Likewise, since more the Capital Fund Program expenditures were for non-capital work items, it also contributed to this increase in maintenance expenses. But the agency also had an increase in the amount spent for maintenance materials, to reflect steps taken by management to make repairs to its housing units. Another large increase was to HAP expense in the Housing Choice Voucher program. HAP expense is the measure of rental assistance paid on behalf of clients in the Housing Choice Voucher program. Similar to what contributed to the increase in Voucher program revenue, the steps taken by management to increase lease up in the program and provide more families with rental assistance is reflected in this increase in HAP expense.

Table 3 - Condensed Statement of Changes in Capital Assets
(Values Rounded to Nearest Thousand)

	2016	2015
Land and Land Rights	\$ 1,301,000	\$ 1,301,000
Buildings and Improvements	24,630,000	24,506,000
Equipment	493,000	493,000
Accumulated Depreciation	(19,638,000)	(18,988,000)
Total	\$ 6,786,000	\$ 7,312,000

Increases in Buildings and Improvements correspond to the capital grant revenue reported (see Table 2). The overall drop in capital assets is a reflection of the extent to which depreciation on assets owned by the agency exceeded capital expenditures in the period.

Debt

The agency has no debt.

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
MANAGEMENT, DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)**

Economic Factors

Chillicothe MHA faces the continuing prospect of HUD providing subsidies used to administer their programs at levels lower than that which the agency is eligible due to Federal budget cuts, made even more difficult with the particularly difficult times currently at the Federal level. The reduction in government assistance for administration of programs despite ever increasing costs to administer the programs means Chillicothe MHA continues to be challenged to provide the same level of quality service to their clients within the limits of resources available to do so.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Carleena Beverly, Deputy Director of the Chillicothe Metropolitan Housing Authority, 178 W. Fourth Street, Chillicothe, Ohio, 45601.

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,440,303
Restricted Cash and Cash Equivalents	158,054
Receivables, Net	319,196
Prepaid Expenses and Other Assets	73,850
Total Current Assets	1,991,403

Non-Current Assets

Capital Assets:

Non-Depreciable Capital Assets	1,301,488
Depreciable Capital Assets, Net	5,484,126
Total Non-Current Assets	6,785,614

DEFERRED OUTFLOWS OF RESOURCES

311,018

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 9,088,035

LIABILITIES

Current Liabilities

Accounts Payable	\$ 102,294
Accrued Liabilities	35,177
Intergovernmental Payables	71,961
Tenant Security Deposits	57,900
Total Current Liabilities	267,332

Non-Current Liabilities

Accrued Compensated Absences Non-Current	48,160
Other Non-Current Liabilities	100,154
Net Pension Liability	750,530
Total Non-Current Liabilities	898,844

TOTAL LIABILITIES

1,166,176

DEFERRED INFLOWS OF RESOURCES

14,502

NET POSITION

Net Investment in Capital Assets	6,785,614
Unrestricted Net Position	1,121,743
TOTAL NET POSITION	7,907,357

TOTAL LIABILITIES AND NET POSITION

\$ 9,088,035

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Operating Revenues</u>	
Tenant Revenue	\$ 819,413
Government Operating Grants	4,555,156
Other Revenue	<u>9,628</u>
Total Operating Revenues	<u>5,384,197</u>
 <u>Operating Expenses</u>	
Administrative	854,002
Tenant Services	126,973
Utilities	324,171
Maintenance	1,353,136
Protective Services	25,493
General	208,340
Housing Assistance Payment	2,450,117
Depreciation	<u>650,736</u>
Total Operating Expenses	<u>5,992,968</u>
Operating Income (Loss)	<u>(608,771)</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	<u>403</u>
Total Non-Operating Revenues (Expenses)	<u>403</u>
Income (Loss) Before Contributions	(608,368)
 Capital Grants	 <u>124,005</u>
Change in Net Position	(484,363)
 Total Net Position - Beginning of Year	 <u>8,391,720</u>
 Total Net Position - End of Year	 <u>\$ 7,907,357</u>

See accompanying notes to the basic financial statements.

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

<u>Cash Flows from Operating Activities</u>	
Cash from HUD and Other Governments	\$ 4,416,315
Cash from Tenants	846,859
Cash from Other Sources	282
Cash Paid for HAPs	(2,450,117)
Cash Paid for Administration	(826,494)
Cash Paid for Other Operating	(1,988,844)
Net Cash Used by Operating Activities	<u>(1,999)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(124,006)
Capital Grants Received	124,005
Net Cash Provided by Capital and Related Financing Activities	<u>(1)</u>
 <u>Cash Flows from Investing Activities</u>	
Investment Income	403
Net Cash Provided by Investing Activities	<u>403</u>
Net Increase in Cash and Cash Equivalents	(1,597)
 Cash and Cash Equivalents - Beginning of Year	 <u>1,599,954</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,598,357</u>
 <u>Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$ (608,771)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	650,736
(Increase) Decrease in Accounts Receivable	(181,004)
(Increase) Decrease in Inventory	(2,854)
(Increase) Decrease in Prepaid Expenses and Other Assets	470
(Increase) Decrease in Deferred Outflows	(243,731)
Increase (Decrease) in Accounts Payable	71,586
Increase (Decrease) in Accrued Wages and Payroll Taxes	13,471
Increase (Decrease) in Tenant Security Deposits	7,699
Increase (Decrease) in Pension Liability	282,799
Increase (Decrease) in Deferred Inflows	6,284
Increase (Decrease) in Other Liabilities	1,316
Net Cash Provided by Operating Activities	<u>\$ (1,999)</u>

See accompanying notes to the basic financial statements.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The financial statements of the Chillicothe Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Chillicothe Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of **a)** the primary government, **b)** organizations for which the primary government is financially accountable, and **c)** other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government **a)** is entitled to the organization's resources; **b)** is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or **c)** is obligated in some manner for the debt of the organization.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Reporting Entity (Continued)

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

The Authority's financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Description of Programs

The following are the various programs which are included in the single enterprise fund:

Public Housing Program

The Public Housing Program is designed to provide low-cost housing within Ross County. Under this Program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the Program.

Capital Fund Program

The Capital Fund Program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

Development

Grant money received from HUD for further purchases or development of low-income housing.

Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit, or public landlords to subsidize rentals for low-income persons.

Resident Opportunity and Supportive Services

A grant funded by HUD that is intended to enable public housing residents to obtain self-sufficiency and economic independence and move from welfare to work.

Central Office Cost Center (COCC)

The Authority owns and operates 383 dwelling rental units and established a COCC to account for non-project specific costs. These costs are funded from management fees, asset management fees, bookkeeping fees, and front-line service fees.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Restricted Net Assets

Certain assets may be classified as restricted assets on the Statement of Net Position, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Tenant Receivables, Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was \$20,900 at year end 2016.

Other Assets

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2016, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase, and expense is reported in the year in which the services are consumed.

Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventories are stated at the weighted average cost and use the first-in, first-out (FIFO) method.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expense when used.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment, and Machinery	3-7 years
Leasehold Improvements	15 years

Due From/To Other Programs

The Authority will make cash transfers between its various programs as outlined in the federal regulations. On the basic financial statements, inter-program receivables and payables listed on the FDS are eliminated.

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Agency's policy calls for no payments to be made at termination for unused sick leave.

In the proprietary funds, the compensated absences are expensed when earned with the amount reported as a fund liability.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is recorded as restricted when there are limitations imposed on the use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD, and other miscellaneous revenue.

Capital Grants

This represents funding made available by HUD that is used to make capital improvements to federally aided projects under an annual contribution contract.

Budgetary Accounting

The Authority adopts annual operating budgets for all its HUD funded programs. The budgets for its programs are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. The Board approves program budgets. Program budgets are submitted to HUD when required.

Accounting and Reporting for Non-Exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Non-exchange transactions occur when the Authority received (or gives) value without directly giving (or receiving) equal value in return.

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Accounting and Reporting for Non-Exchange Transactions (Continued)

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon as expenses in the accompanying Combined Statement of Revenue and Expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investment at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statements of net position for pension. The deferred outflows of resources related to pension are explained the Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 6).

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
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NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

State statutes classify monies held by the Authority into three categories.

1. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two periods of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. 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. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by the Authority, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year-end September 30, 2016, the carrying amount of the Authority's deposits totaled \$1,598,357 (including petty cash of \$100) and its bank balance was \$1,726,092. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of September 30, 2016, a total of \$1,191,149 was exposed to custodial risk as discussed below, while \$534,943 was covered by Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. 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 the 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 in the name of the Authority.

Investments

The Authority had no investments at September 30, 2016.

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NOTE 3: RESTRICTED CASH AND INVESTMENT

Restricted cash balance as of September 30, 2016 of \$158,054 represents cash on hand for the following:

Tenant Security Deposit	\$ 57,900
FSS Escrow Held for Tenants	100,154
Total Restricted Cash	<u><u>\$ 158,054</u></u>

NOTE 4: RISK MANAGEMENT

The Authority is covers for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association (SHARP). SHARP is an insurance risk pool comprised of 40 Ohio housing authorities, of which the Authority is a member. SHARP is a member of the Public Entity Risk Consortium (PERC), a self-insurance pool owned by its members. PERC provides SHARP specific excess coverage above its net retained limits. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property		\$ 54,567,800
Automobile Physical Damage	500	per occurrence
Boiler and Machinery	1,000	100,000,000
Liability:		
General	0	2,000,000
Automobile	0	included
Public Officials	0	included
Law Enforcement	0	included
Professional Liability	5,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Health, dental, vision, and life insurance is offered to Authority employees through a commercial insurance company. Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

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NOTE 5: CAPITAL ASSETS

	Balance 9/30/15	Reclass	Additions	Deletions	Balance 09/30/16
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,301,488	\$ 0	\$ 0	\$ 0	\$ 1,301,488
Total Capital Assets Not Being Depreciated	1,301,488	0	0	0	1,301,488
<u>Capital Assets Being Depreciated</u>					
Buildings	10,630,888	13,875,171	124,005	0	24,630,064
Leasehold Improvements	13,875,171	(13,875,171)	0	0	-
Equipment	492,916	0	0	0	492,916
Subtotal Capital Assets Being Depreciated	24,998,975	0	124,005	0	25,122,980
Accumulated Depreciation -					
Buildings	(8,259,485)	(10,252,343)	(643,941)	0	(19,155,769)
Leasehold	(10,252,343)	10,252,343	0	0	-
Equipment	(476,291)	0	(6,794)	0	(483,085)
Total Accumulated Depreciation	(18,988,119)	0	(650,735)	0	(19,638,854)
Net Depreciable	6,010,856	0	(526,730)	0	5,484,126
Total Capital Assets, Net	\$ 7,312,344	\$ 0	\$ (526,730)	\$ 0	\$ 6,785,614

NOTE 6: DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$71,934 for the fiscal year ending September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Proportionate Share of the Net Pension Liability - 9/30/2016	\$750,530
Proportionate Share of the Net Pension Liability - 9/30/2015	<u>467,730</u>
Change in Proportionate Share	\$282,800
Proportion of the Net Pension Liability	0.004333%
Pension Expense	\$105,456

At September 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$220,609
Changes in proportion and differences between City contributions and proportionate share of contributions	36,206
Authority contributions subsequent to the measurement date	<u>54,203</u>
Total Deferred Outflows of Resources	<u><u>\$311,018</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	<u>\$14,502</u>
Total Deferred Inflows of Resources	<u><u>\$14,502</u></u>

\$54,202 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Year Ending December 31:

2017	\$64,955
2018	68,483
2019	58,952
2020	<u>49,923</u>
Total	<u><u>\$242,313</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions – OPERS (Continued)

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions – OPERS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority’s proportionate share of the net pension liability	\$1,195,778	\$750,530	\$374,978

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

A. Plan Description (Continued)

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Funding Policy

Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%. The portion of actual Authority contributions for the year ended September 30, 2016, 2015, and 2014, which were used by OPERS to fund post-employment benefits were \$11,989, \$11,442, and \$8,077, respectively.

NOTE 8: **COMPENSATED ABSENCES**

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 1 year of employment. As of September 30, 2016, the accrual for compensated absences totaled \$48,160 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Position. The Authority considers all compensated absences payable as non-current.

NOTE 9: **SUMMARY OF CHANGES IN LONG TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2016:

Description	Balance at 9/30/2015	Additions	Deletions	Balance at 9/30/2016	Amounts Due In One Year
Compensated Absences	\$ 34,123	\$ 57,337	\$ (43,300)	\$ 48,160	\$ 0
Net Pension Liability	467,731	282,799	-	750,530	-
FSS Escrows	81,788	75,556	(57,190)	100,154	-
	<u>\$ 583,642</u>	<u>\$ 415,692</u>	<u>\$ (100,490)</u>	<u>\$ 898,844</u>	<u>\$ 0</u>

NOTE 10: **OPERATING LEASES**

The Authority leases office equipment through operating leases. Minimum future rental payments under non-cancelable operating leases having terms in the excess of one year as of September 30, 2016 are:

FYE 2017	\$ 50,075
FYE 2018	48,227
FYE 2019	15,492
FYE 2020	0
FYE 2021	0
	<u>\$ 113,794</u>

Rent expense for operating leases was \$31,557 for the year.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

NOTE 11: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2016.

Litigations and Claims

The Authority is party to legal proceedings. The Authority is of the opinion that the ultimate disposition of claims will not have a material adverse effect, if any, on the financial condition of the Authority.

NOTE 12: **ECONOMIC DEPENDENCY**

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET
 PENSION LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST THREE FISCAL YEARS (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.004333%	0.003878%	0.003878%
Authority's Proportionate Share of the Net Pension Liability	\$750,530	\$467,730	\$457,166
Authority's Covered-Employee Payroll	\$539,324	\$475,398	\$504,208
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	139.16%	98.39%	90.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available.

Amounts presented as of the Authority's fiscal year end.
 The plan measurement date is the prior calendar year end.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	\$ 71,934	\$ 58,845	\$ 56,316	\$ 70,085	\$ 55,091	\$ 55,338	\$ 49,722	\$ 45,709	\$ 40,484	\$ 45,858
Contributions in Relation to the Contractually Required Contribution	(71,934)	(58,845)	(56,316)	(70,085)	(55,091)	(55,338)	(49,722)	(45,709)	(40,484)	(45,858)
Contribution Deficiency / (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Authority's Covered-Employee Payroll	\$ 599,450	\$ 490,375	\$ 469,300	\$ 539,115	\$ 550,910	\$ 553,380	\$ 552,467	\$ 537,753	\$ 578,343	\$ 590,193
Contributions as a Percentage of Covered- Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%	7.77%

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/ Pass Through Grantor/ Program/Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs</i>		
Public and Indian Housing	14.850	\$ 1,283,214
Section 8 Housing Choice Vouchers	14.871	2,702,671
Public Housing Capital Fund	14.872	580,702
PIH Family Self-Sufficiency Program	14.896	<u>112,573</u>
<i>Total Direct Programs</i>		<u>4,679,160</u>
Total U.S. Department of Housing and Urban Development		<u>4,679,160</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 4,679,160</u></u>

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal awards programs. The Schedule has been prepared on the accrual basis of accounting.

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,158,730		\$138,408		\$143,165	\$1,440,303		\$1,440,303
113 Cash - Other Restricted	\$23,810		\$76,344			\$100,154		\$100,154
114 Cash - Tenant Security Deposits	\$57,900					\$57,900		\$57,900
100 Total Cash	\$1,240,440	\$0	\$214,752	\$0	\$143,165	\$1,598,357	\$0	\$1,598,357
122 Accounts Receivable - HUD Other Projects				\$41,635	\$252,252	\$293,887		\$293,887
125 Accounts Receivable - Miscellaneous	\$7,791					\$7,791		\$7,791
126 Accounts Receivable - Tenants	\$29,756					\$29,756		\$29,756
126.1 Allowance for Doubtful Accounts -Tenants	-\$12,900					-\$12,900		-\$12,900
126.2 Allowance for Doubtful Accounts - Other	-\$3,500			\$0	\$0	-\$3,500		-\$3,500
128 Fraud Recovery	\$2,327		\$6,335			\$8,662		\$8,662
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,000		-\$3,500			-\$4,500		-\$4,500
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$22,474	\$0	\$2,835	\$41,635	\$252,252	\$319,196	\$0	\$319,196
142 Prepaid Expenses and Other Assets	\$14,067				\$1,725	\$15,792		\$15,792
143 Inventories	\$58,058					\$58,058		\$58,058
144 Inter Program Due From					\$43,525	\$43,525	-\$43,525	\$0
150 Total Current Assets	\$1,335,039	\$0	\$217,587	\$41,635	\$440,667	\$2,034,928	-\$43,525	\$1,991,403
161 Land	\$871,233		\$162,144	\$226,067	\$42,044	\$1,301,488		\$1,301,488
162 Buildings	\$21,697,514			\$1,512,371	\$1,420,179	\$24,630,064		\$24,630,064
163 Furniture, Equipment & Machinery - Dwellings	\$151,166			\$735		\$151,901		\$151,901
164 Furniture, Equipment & Machinery - Administration	\$128,867		\$18,606		\$193,542	\$341,015		\$341,015
166 Accumulated Depreciation	-\$17,481,272		-\$18,606	-\$831,729	-\$1,307,247	-\$19,638,854		-\$19,638,854
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,367,508	\$0	\$162,144	\$907,444	\$348,518	\$6,785,614	\$0	\$6,785,614
180 Total Non-Current Assets	\$5,367,508	\$0	\$162,144	\$907,444	\$348,518	\$6,785,614	\$0	\$6,785,614
200 Deferred Outflow of Resources	\$136,848		\$52,873		\$121,297	\$311,018		\$311,018
290 Total Assets and Deferred Outflow of Resources	\$6,839,395	\$0	\$432,604	\$949,079	\$910,482	\$9,131,560	-\$43,525	\$9,088,035

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2016

312 Accounts Payable <= 90 Days	\$84,879		\$618		\$16,797	\$102,294		\$102,294
321 Accrued Wage/Payroll Taxes Payable	\$8,626				\$26,551	\$35,177		\$35,177
333 Accounts Payable - Other Government	\$71,961					\$71,961		\$71,961
341 Tenant Security Deposits	\$57,900					\$57,900		\$57,900
347 Inter Program - Due To			\$1,890	\$41,635		\$43,525	-\$43,525	\$0
310 Total Current Liabilities	\$223,366	\$0	\$2,508	\$41,635	\$43,348	\$310,857	-\$43,525	\$267,332
353 Non-current Liabilities - Other	\$23,810		\$76,344			\$100,154		\$100,154
354 Accrued Compensated Absences - Non Current	\$11,244		\$6,115		\$30,801	\$48,160		\$48,160
357 Accrued Pension and OPEB Liabilities	\$330,234		\$127,590		\$292,706	\$750,530		\$750,530
350 Total Non-Current Liabilities	\$365,288	\$0	\$210,049	\$0	\$323,507	\$898,844	\$0	\$898,844
300 Total Liabilities	\$588,654	\$0	\$212,557	\$41,635	\$366,855	\$1,209,701	-\$43,525	\$1,166,176
400 Deferred Inflow of Resources	\$6,381		\$2,465		\$5,656	\$14,502		\$14,502
508.4 Net Investment in Capital Assets	\$5,367,508	\$0	\$162,144	\$907,444	\$348,518	\$6,785,614		\$6,785,614
511.4 Restricted Net Position	\$0	\$0	\$0	\$0		\$0		\$0
512.4 Unrestricted Net Position	\$876,852	\$0	\$55,438	\$0	\$189,453	\$1,121,743		\$1,121,743
513 Total Equity - Net Assets / Position	\$6,244,360	\$0	\$217,582	\$907,444	\$537,971	\$7,907,357	\$0	\$7,907,357
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,839,395	\$0	\$432,604	\$949,079	\$910,482	\$9,131,560	-\$43,525	\$9,088,035

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$738,666					\$738,666		\$738,666
70400 Tenant Revenue - Other	\$80,747					\$80,747		\$80,747
70500 Total Tenant Revenue	\$819,413	\$0	\$0	\$0	\$0	\$819,413	\$0	\$819,413
70600 HUD PHA Operating Grants	\$1,739,912	\$112,573	\$2,702,671			\$4,555,156		\$4,555,156
70610 Capital Grants	\$124,005					\$124,005		\$124,005
70710 Management Fee					\$336,788	\$336,788	-\$336,788	\$0
70720 Asset Management Fee					\$45,960	\$45,960	-\$45,960	\$0
70730 Book Keeping Fee					\$33,218	\$33,218	-\$33,218	\$0
70740 Front Line Service Fee					\$32,715	\$32,715	-\$32,715	\$0
70700 Total Fee Revenue					\$448,681	\$448,681	-\$448,681	\$0
70800 Other Government Grants								
71400 Fraud Recovery			\$9,346			\$9,346		\$9,346
71500 Other Revenue			\$282			\$282		\$282
70000 Total Revenue	\$2,683,479	\$112,573	\$2,712,340	\$0	\$448,894	\$5,957,286	-\$448,681	\$5,508,605
91100 Administrative Salaries	\$67,073		\$100,488		\$207,274	\$374,835		\$374,835
91200 Auditing Fees	\$4,664		\$1,780		\$727	\$7,171		\$7,171
91300 Management Fee	\$291,056		\$45,732			\$336,788	-\$336,788	\$0
91310 Book-keeping Fee	\$33,218					\$33,218	-\$33,218	\$0
91400 Advertising and Marketing			\$132		\$208	\$340		\$340
91500 Employee Benefit contributions - Administrative	\$42,684		\$41,326		\$119,948	\$203,958		\$203,958
91600 Office Expenses	\$72,791		\$20,198		\$59,828	\$152,817		\$152,817
91700 Legal Expense	\$7,019		\$1,548		\$88	\$8,655		\$8,655
91800 Travel					\$10,280	\$10,280		\$10,280
91900 Other	\$20,388		\$40,266		\$37,182	\$97,836	-\$1,890	\$95,946
91000 Total Operating - Administrative	\$538,893	\$0	\$251,470	\$0	\$435,535	\$1,225,898	-\$371,896	\$854,002

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2016

92000 Asset Management Fee	\$45,960					\$45,960	-\$45,960	\$0
92100 Tenant Services - Salaries		\$59,886				\$59,886		\$59,886
92300 Employee Benefit Contributions - Tenant Services		\$52,687				\$52,687		\$52,687
92400 Tenant Services - Other	\$14,400					\$14,400		\$14,400
92500 Total Tenant Services	\$14,400	\$112,573	\$0	\$0	\$0	\$126,973	\$0	\$126,973
93100 Water	\$58,584				\$720	\$59,304		\$59,304
93200 Electricity	\$185,337				\$10,694	\$196,031		\$196,031
93300 Gas	\$15,807				\$1,976	\$17,783		\$17,783
93600 Sewer	\$50,468				\$585	\$51,053		\$51,053
93000 Total Utilities	\$310,196	\$0	\$0	\$0	\$13,975	\$324,171	\$0	\$324,171
94100 Ordinary Maintenance and Operations - Labor	\$152,035					\$152,035		\$152,035
94200 Ordinary Maintenance and Operations - Materials and Other	\$224,143				\$2,052	\$226,195		\$226,195
94300 Ordinary Maintenance and Operations Contracts	\$563,496				\$15,617	\$579,113	-\$30,825	\$548,288
94500 Employee Benefit Contributions - Ordinary Maintenance	\$64,114					\$64,114		\$64,114
94000 Total Maintenance	\$1,003,788	\$0	\$0	\$0	\$17,669	\$1,021,457	-\$30,825	\$990,632
95200 Protective Services - Other Contract Costs	\$25,493					\$25,493		\$25,493
95000 Total Protective Services	\$25,493	\$0	\$0	\$0	\$0	\$25,493	\$0	\$25,493
96110 Property Insurance	\$84,809				\$4,420	\$89,229		\$89,229
96130 Workmen's Compensation	\$5,783				\$4,836	\$10,619		\$10,619
96100 Total insurance Premiums	\$90,592	\$0	\$0	\$0	\$9,256	\$99,848	\$0	\$99,848
96200 Other General Expenses			\$5,104			\$5,104		\$5,104
96210 Compensated Absences	\$1,502		\$1,494		\$11,821	\$14,817		\$14,817
96300 Payments in Lieu of Taxes	\$40,128					\$40,128		\$40,128
96400 Bad debt - Tenant Rents	\$48,443					\$48,443		\$48,443
96000 Total Other General Expenses	\$90,073	\$0	\$6,598	\$0	\$11,821	\$108,492	\$0	\$108,492
96900 Total Operating Expenses	\$2,119,395	\$112,573	\$258,068	\$0	\$488,256	\$2,978,292	-\$448,681	\$2,529,611
97000 Excess of Operating Revenue over Operating Expenses	\$564,084	\$0	\$2,454,272	\$0	-\$39,362	\$2,978,994	\$0	\$2,978,994

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2016

97100 Extraordinary Maintenance	\$359,104					\$359,104		\$359,104
97200 Casualty Losses - Non-capitalized	\$3,400					\$3,400		\$3,400
97300 Housing Assistance Payments			\$2,450,117			\$2,450,117		\$2,450,117
97400 Depreciation Expense	\$585,338			\$41,724	\$23,674	\$650,736		\$650,736
90000 Total Expenses	\$3,067,237	\$112,573	\$2,708,185	\$41,724	\$511,930	\$6,441,649	-\$448,681	\$5,992,968
10010 Operating Transfer In	\$50,000					\$50,000	-\$50,000	\$0
10020 Operating transfer Out	-\$50,000					-\$50,000	\$50,000	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$383,758	\$0	\$4,155	-\$41,724	-\$63,036	-\$484,363	\$0	-\$484,363
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$6,628,118	\$0	\$213,427	\$949,168	\$601,007	\$8,391,720		\$8,391,720
11170 Administrative Fee Equity			\$222,191			\$222,191		\$222,191
11180 Housing Assistance Payments Equity			-\$4,609			-\$4,609		-\$4,609
11190 Unit Months Available	4596		6360			10956		10956
11210 Number of Unit Months Leased	4429		5914			10343		10343
11270 Excess Cash	\$843,089					\$843,089		\$843,089
11620 Building Purchases	\$124,005				\$0	\$124,005		\$124,005

See Independent Auditor's Report



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**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**

March 17, 2017

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

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 business-type activities of Chillicothe Metropolitan Housing Authority (the Authority), Ross County, Ohio, which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 the internal control over financial reporting 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 the Authority'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 17, 2017

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Chillicothe Metropolitan Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major Program(s):	CFDA #14.850 Public and Indian Housing
Dollar Threshold: Type A/B Programs	\$750,000
Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2016**

Finding 2015-001 - Noncompliance

Condition: The Authority did not comply with the Ohio Revised Code (ORC) concerning transmittal of employee contributions to the Ohio Public Employees Retirement System (OPERS).

Status: Corrected.

Finding 2015-002 - Noncompliance

Condition: The Board only met eight times during the year. Additionally, the Board did not consist of a representative Resident Commissioner throughout the year.

Status: Corrected.

Finding 2015-003 Noncompliance with Federal Program Requirements

Condition: The Authority charged the COCC \$45,732 as a management fee. They have not been able to provide documentation of how that amount was derived.

Status: Corrected.



Dave Yost • Auditor of State

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

ROSS 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 1, 2017