

**ZANESVILLE METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

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

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





# Dave Yost • Auditor of State

Board of Directors  
Zanesville Metropolitan Housing Authority  
407 Pershing Road  
Zanesville, OH 43701

We have reviewed the *Independent Auditor's Report* of the Zanesville Metropolitan Housing Authority, Muskingum County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2015 through June 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 Zanesville 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

March 8, 2017

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**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

*Certified Public Accountants  
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Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Zanesville Metropolitan Housing Authority  
Zanesville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 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 did not audit the financial statements of the discretely presented component unit. The statements of the discretely presented component unit were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. 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. The other auditors audited the financial statements of the discretely presented component unit in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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 Authority'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 Authority'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 opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, as of June 30, 2016, and the respective 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 and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Zanesville Metropolitan Housing Authority's basic financial statements. The Financial Data Schedules are presented for the purposes of additional analysis and are not part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as 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 also not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards 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 basic 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 the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the Zanesville Metropolitan Housing 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 Zanesville Metropolitan Housing Authority's internal control over financial reporting and compliance.



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

December 5, 2016

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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The following discussion and analysis of the Zanesville Metropolitan Housing Authority (the Authority) is to provide an introduction to the basic financial statements for the fiscal year ended June 30, 2016, with selected comparative information for the fiscal year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

**FINANCIAL HIGHLIGHTS**

- Assets and Deferred Outflow of Resources of the Authority exceeded its Liabilities and Deferred Inflow of Resources at the fiscal year 2016 by \$20,638,293 (net position). Of this amount, \$12,708,405 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Agency converted the former AMP 1 under HUD's Rental Asset Demonstration (RAD) program in the period, transferring those assets to Coopermill Manor LP, a Discretely Presented Component Unit of the Authority.
- Capital assets decreased by \$1,641,940, primarily related to the transfer of assets of the former AMP 1 to the RAD project, Coopermill Manor LP.
- Net position increased by \$7,843,327. This was primarily due to the Special Item of \$7,893,179 realized with HUD's approval of the Rental Assistance Demonstration (RAD) project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority is a special purpose governmental entity and accounts for its financial activities as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets, except land, are depreciated over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies and practices.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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**AUTHORITY ACTIVITY HIGHLIGHTS**

The following are the various programs that the Authority operates. These programs are included in the single enterprise fund:

Public Housing Program

The public housing program is designed to provide low-cost housing within the 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 (CFP)

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development of housing units.

Housing Choice Voucher Program (Section 8)

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. Under the program, independent landlords rent units to eligible low income families and the Authority provides a Housing Assistance Payment to the landlord to make the rental affordable. HUD provides funding through an Annual Contributions Contract to enable the Authority to structure a lease that sets the participants' rents at about 30 percent of household income.

Special Needs Assessment Program (SNAP)/Continuum of Care

The program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities. The Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants rent at 30 percent of household income, and the Authority partners with support agencies in the community to provide supportive services to clients to help them live independently.

Resident Opportunity and Supportive Services, and PIH Family Self-Sufficiency Programs

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents and Section 8 Program participants to move toward self-sufficiency and economic independence, and from welfare to work.

WIA Youth Activities

The Authority administers a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

Business Activity

The Business Activity Fund was set-up to separate the HUD funded program from non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

Component Unit

The Coopermill Manor Limited Partnership is a not-for-profit (IRS Section 501 (c)(3)) Corporation created by the Authority under HUD's Rental Asset Demonstration Program for the purpose of providing low income housing. The 324 units of what was formerly the Authority's Public Housing AMP 1 have been converted to Project Based Rental Assistance units (PBRA) under the oversight of HUD's Office of Multifamily Housing and transferred to Coopermill Manor LP. Coopermill Manor LP owns the units and the Zanesville Metropolitan Housing Authority manages the units.

**FINANCIAL POSITION**

The statement of net position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net position at June 30, 2016 and 2015:

**Table 1 - Statement of Net Position**

	<u>2016</u>	<u>2015</u>
Current Assets and Other Assets	\$ 6,117,991	\$ 5,447,933
Capital Assets	8,291,069	9,933,009
Other Non-Current Assets	11,227,914	0
Deferred Outflow of Resources	683,849	163,585
Total Current Assets and Deferred Outflows	<u>\$26,320,823</u>	<u>\$15,544,527</u>
Current Liabilities	\$ 2,812,596	\$ 543,694
Long-Term Liabilities	<u>2,768,964</u>	<u>2,174,139</u>
Total Current Liabilities	<u>5,581,560</u>	<u>2,717,833</u>
Deferred Inflow of Resources	<u>100,970</u>	<u>31,728</u>
Net Position		
Net Investment in Capital Assets	7,866,810	9,492,129
Restricted Net Position	63,078	107,964
Unrestricted Net Position	<u>12,708,405</u>	<u>3,194,873</u>
Total Net Position	<u>20,638,293</u>	<u>12,794,966</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$26,320,823</u>	<u>\$15,544,527</u>

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

Changes to current assets, capital assets, other non-current assets and current liabilities were all primarily due to the movement of the former AMP 1 of the Authority to the RAD project. Current Assets increased by more than \$670,000 (or 12 percent) because the RAD project prepaid the developer fee the Authority will earn for the project. Capital Assets were reduced by almost \$1,642,000 (about 17 percent) in large part due to the transfer of capital assets from the former AMP 1 to the new RAD entity. Other non-current assets increased considerably as a result of the note receivable the Authority has with the new RAD entity. The increase in current liabilities reflects the receipt of the unearned developer fee and the prepaid ground lease from the RAD project.

Other notable changes were to deferred outflow of resources, deferred inflow of resources and non-current liabilities (primarily to the net pension liability). The increases in these balances reported pursuant to GASB Statement No. 68, which was implemented in 2015, truly do not reflect an issue related to the operations of the Agency, but rather reflect changes in the Ohio Public Employees Retirement System (OPERS) unfunded pension liability. GASB Statement No. 68 requires that public employers like Zanesville Metropolitan Housing Authority to report what is calculated to be their share of the unfunded pension liability of the pension system. Employees of Zanesville MHA are required by state law to be members of OPERS and Zanesville MHA is required to make retirement contributions to the retirement system on behalf of their employees. The Net Pension Liability is not like other liabilities reported by Zanesville MHA in that if the Agency ceased operations there is no invoice to be paid in that amount.

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

**Statement of Revenues, Expenses, and Changes in Net Position**

The following is a summary of the results of operations of the Authority for the fiscal years ended June 30, 2016 and 2015:

**Table 2 - Statement of Revenues, Expenses, and Changes in Net Position**

<u>Revenue</u>	<u>2016</u>	<u>2015</u>
Tenant	\$ 1,080,693	\$ 1,624,578
Subsidies	6,388,891	6,039,726
Capital Grants	413,213	261,226
Interest	10,259	7,942
Other	554,081	178,192
<b>Total Revenue</b>	<b><u>8,447,137</u></b>	<b><u>8,111,664</u></b>
<u>Expenses</u>		
Administrative	1,300,288	1,570,989
Tenant Services	394,427	87,257
Utilities	321,306	793,192
Maintenance	1,948,836	1,356,761
Insurance and General	291,426	443,778
HAP	3,592,375	3,350,610
Depreciation	648,331	781,585
<b>Total Expenses</b>	<b><u>8,496,989</u></b>	<b><u>8,384,172</u></b>
Special Item	7,893,179	0
<b>Change in Net Position</b>	<b><u>\$ 7,843,327</u></b>	<b><u>\$ (272,508)</u></b>

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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Revenues overall increased modestly, by a little more than \$335,000 (or 4 percent) but there were notable changes in categories of revenue. Tenant revenues dropped considerably, reflecting the revenue lost from the transfer of 324 public housing units to the new RAD entity in the period. Operating subsidies increased by almost \$350,000 (or about 6 percent), primarily a reflection of the new PIH FSS grant the Agency received in the period. Capital Fund Grant revenues also increased, a timing issue with regard to when grant funded work items were completed with this grant provided annually based on a formula HUD uses. Other income also increased a great deal. The biggest cause of this increase was fee paid to the COCC by the new RAD entity after it converted to RAD. Prior to the conversion those fees were eliminated as intercompany activity.

Expenses overall remain steady, increasing by almost \$113,000 (or 1 percent) but there were significant changes in some line items. The reduction in administrative expenses was offset by the increase in tenant services, a result of how staffing costs were allocated between the categories. Utilities saw a dramatic drop, another result of conversion to RAD of 324 public housing units in the period. Maintenance costs increased a little over \$593,000 (59 percent). This increase corresponds to the increase in Capital Fund Grant revenues. That grant is a reimbursing grant so when spending activity increases so does the revenue and vice-versa. HAP expense increased almost \$242,000. The primary cause of that increase is funds paid to the public housing program for AMP 1 after the RAD conversion date (November 1) were paid to the new RAD entity as HAP expense.

The largest balance however is the special item of \$7,843,327. This special item is the gain realized by the Authority related to the transfer of assets under the RAD agreement because the book value of the assets transferred to the RAD entity were valued much less than the appraised value of the assets at the point of closing.

**Housing Units Managed**

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2016:

	2016
Owned by Authority	350
Units Under Vouchers	939
Units Under Shelter Plus Care	96
Total Housing Units Managed	1,385

Total units owned by the Authority were reduced by 324 from the prior year due to conversion of AMP 1 to RAD.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

**Capital Assets**

Capital assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at June 30, 2016 and changes from the prior year:

**Table 3 - Capital Assets**

	2016
Land and Land Rights	\$ 1,160,622
Buildings and Improvements	26,164,921
Equipment	1,471,980
Construction In Progress	327,363
Accumulated Depreciation	<u>(20,833,817)</u>
<b>Total</b>	<b><u>\$ 8,291,069</u></b>
Capital Assets Activity:	
Capital Asset, Net at June 30, 2015	\$ 9,933,009
Capital Additions in the period	413,213
Depreciation Expense	(648,331)
Net Deletions to the RAD entity	<u>(1,406,822)</u>
 <b>Capital Assets, Net at June 30, 2016</b>	 <b><u>\$ 8,291,069</u></b>

**Debt Administration**

Zanesville Metropolitan Housing Authority obtained a loan in the amount of \$843,000 on June 1, 2002. The proceeds were used for the Zanesville Carey Metro Childcare, Inc. building. During 2014, the Authority refinanced this loan, the refinanced amount was \$460,000 on March 18, 2014 and the new monthly installment of \$2,801.99, which began April 18, 2014. Changes in debt in the period is summarized as follows:

Outstanding Principal Balance as of June 30, 2015	\$ 440,880
Less:	
Principal Payments Made During the Year	<u>(16,621)</u>
<b>Outstanding Principal Balance as of June 30, 2016</b>	<b><u>\$ 424,259</u></b>

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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**Economic Factors**

The economic outlook for the Zanesville Metropolitan Housing Authority is uncertain at this time. According to the most current information available on changes pending at the U.S. Department of Housing and Urban Development, Public Housing will continue to offset the PHAs operating reserves. To determine an individual PHA's allocation adjustment, HUD identified the amount of reserves equivalent to four months. If a PHA's allocation adjustment exceeds the Operating Subsidy eligibility, the allocation adjustment is capped to 12 months of their eligibility. At this time there is no further inflationary adjustments forecasted. Locally, we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

**Request for Information**

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Teresa Ayers, Financial Coordinator, and Zanesville Metropolitan Housing Authority, 407 Pershing, Zanesville, Ohio 43701.



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

<u><b>ASSETS</b></u>	Primary	Component
<u>Current Assets</u>	<u>Government</u>	<u>Unit</u>
Cash and Cash Equivalents	\$ 4,572,546	\$ 101,178
Restricted Cash and Cash Equivalents	302,100	18,205,105
Investments	914,268	0
Receivables, Net of Allowance	101,117	0
Inventory, Net of Allowance	194,151	0
Prepaid Expenses and Other Assets	33,809	0
<b>Total Current Assets</b>	<u>6,117,991</u>	<u>18,306,283</u>
<u>Capital Assets</u>		
Non-Depreciable Capital Assets	1,487,985	5,547,846
Depreciable Capital Assets, Net	6,803,084	9,261,250
<b>Total Capital Assets</b>	<u>8,291,069</u>	<u>14,809,096</u>
<u>Non-Current Assets</u>		
Note Receivable	11,150,000	0
Other Assets	77,914	2,288,019
<b>Total Non-Current Assets</b>	<u>11,227,914</u>	<u>2,288,019</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	683,849	0
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 26,320,823</u>	<u>\$ 35,403,398</u>
<u><b>LIABILITIES</b></u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 9,249	\$ 8,981
Accrued Liabilities	244,764	574,437
Tenant Security Deposits	126,855	0
Unearned Revenue	2,414,754	0
Bonds, Notes, and Loans Payable	16,974	0
<b>Total Current Liabilities</b>	<u>2,812,596</u>	<u>583,418</u>
<u>Noncurrent Liabilities</u>		
Accrued Compensated Absences - Noncurrent	255,514	0
Noncurrent Liabilities - Other	112,167	0
Accrued Net Pension Liability	1,993,998	0
Long-Term Debt - Notes Payable	407,285	31,725,789
<b>Total Noncurrent Liabilities</b>	<u>2,768,964</u>	<u>31,725,789</u>
<b>Total Liabilities</b>	<u>5,581,560</u>	<u>32,309,207</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	100,970	0
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,866,810	1,047,810
Restricted Net Position	63,078	240,602
Unrestricted Net Position	12,708,405	1,805,779
<b>Total Net Position</b>	<u>20,638,293</u>	<u>3,094,191</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$26,320,823</u>	<u>\$ 35,403,398</u>

See accompanying notes to the basic financial statements

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Primary Government	Component Unit
<b><u>Operating Revenues</u></b>		
Government Grants	\$ 6,388,891	\$ 196,293
Tenant Revenue	1,080,693	132,407
Other Revenue	554,081	3,039,091
<b>Total Operating Revenues</b>	<u>8,023,665</u>	<u>3,367,791</u>
<b><u>Operating Expenses</u></b>		
Administrative	1,300,288	76,571
Tenant Services	394,427	0
Utilities	321,306	91,940
Maintenance	1,948,836	56,563
Insurance	121,805	2,636
General	152,619	7,963
Housing Assistance Payments	3,592,375	0
Depreciation	648,331	38,750
<b>Total Operating Expenses</b>	<u>8,479,987</u>	<u>274,423</u>
Operation Income (Loss)	<u>(456,322)</u>	<u>3,093,368</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>		
Interest and Investment Revenue	10,259	823
Interest Expense	(17,002)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(6,743)</u>	<u>823</u>
Income (Loss) Before Capital Grants	<u>(463,065)</u>	<u>3,094,191</u>
Special Item	7,893,179	0
Capital Grants	413,213	0
Change in Net Position	7,843,327	3,094,191
Total Net Position, Beginning of Year	<u>12,794,966</u>	<u>0</u>
<b>Net Position, End of Year</b>	<u>\$ 20,638,293</u>	<u>\$ 3,094,191</u>

See accompanying notes to the basic financial statements.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PRIMARY GOVERNMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from HUD/Other Governments	\$ 6,433,876
Cash Received From Tenants	1,098,967
Cash Payments for Housing Assistance	(3,569,375)
Cash Payments for Administrative Expenses	(3,393,013)
Cash Received - Other Expenses	<u>529,266</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>1,099,721</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital Grants Received	413,213
Acquisition of Capital Assets	(413,213)
Principal Payment on Debt	(16,621)
Interest Payments	<u>(17,002)</u>
<b>Net Cash (Used for) Capital and Other Related Financing Activities</b>	<b><u>(33,623)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest and Investment Income Received	10,259
Investment Refunding	27,405
Note Receivable	<u>(300,000)</u>
<b>Net Cash Provided from Investing Activities</b>	<b><u>(262,336)</u></b>
 Net Increase (Decrease) in Cash and Cash Equivalents	 803,762
 Cash and Cash Equivalents, Beginning	 <u>4,070,884</u>
<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 4,874,646</u></b>
 <b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u></b>	
Net Operating Income (Loss)	\$ (456,322)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	648,331
(Increase) Decrease in:	
Accounts Receivable	41,666
Inventory, Net of Allowance	(24,315)
Prepaid and Other Assets	11,034
Deferred Outflows of Resources	(520,264)
Increase (Decrease) in:	
Accounts Payable	(17,764)
Accrued Liabilities	847,505
Accrued Compensated Absences	(35,757)
Tenant Security Deposits	4,260
Deferred Inflows of Resources	69,242
Accrued Pensions Liabilities	<u>532,105</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ 1,099,721</u></b>

See accompanying notes to the basic financial statements.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Grants	\$ 196,293
Cash Received from Tenants/Other	3,171,498
Cash Used for Administrative Expense	(76,571)
Cash Used - Other Expenses	<u>(145,537)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>3,145,683</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Additions to Construction in Progress	(5,023,311)
Acquisition of Intangible Assets	(913,603)
Interest Income	823
<b>Net Cash Used from Investing Activities</b>	<b><u>(5,936,091)</u></b>
<b><u>Cash Flows from Financing Activities</u></b>	
Funding from PIRHL Developers, LLC	70,902
Proceeds from Bonds Payable	17,850,000
Proceeds from Bridge Loan Payable	450,000
Proceeds from HUD Loan Payable	<u>2,725,789</u>
<b>Net Cash Provided by Financing Activities</b>	<b><u>21,096,691</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>18,306,283</b>
Cash and Cash Equivalents, Beginning	<u>0</u>
<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 18,306,283</u></b>
<b><u>Reconciliation of Operating Income to Net Cash Used by Operating Activities</u></b>	
Net Income	\$ 3,093,368
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation Expense	38,750
Ground Lease Expense	3,334
Changes in Operating Assets and Liabilities:	
Increase in Accounts Payable - Trade	8,981
Increase in Debt to Related Party	<u>1,250</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 3,145,683</u></b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>	
Increase in prepaid ground lease and seller note payable	<u>\$ 1,396,666</u>
Increase in Fixed Assets and seller note payable	<u>\$ 9,300,000</u>
Increase in Construction in Progress and Accounts Payable - Construction	<u>\$ 502,285</u>
Increase in Construction in Progress and Intangible Assets - Net	<u>\$ 22,250</u>

See accompanying notes to the basic financial statements.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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NOTE 1: **REPORTING ENTITY**

**Introduction**

The Zanesville Metropolitan Housing Authority (the Authority), was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. Under the United States Housing Act of 1937, as amended, HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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 principles are described below.

As required by GAAP, the basic financial statements of the reporting entity include those of the Authority and any component units. Component units are separate legal entities that: elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, including the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* (as amended by GASB Statement No. 61) this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the operating entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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NOTE 1: **REPORTING ENTITY** (Continued)

**Description of Programs**

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

**A. Public Housing Program**

The public housing program is designed to provide low-cost housing within the 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.

**B. 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.

**C. 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.

**D. Special Needs Assessment and Program (SNAP)/Continuum of Care**

The program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities.

The Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to landlord. The program is administered under an Annual Contribution Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participant's rent at 30 percent of household income.

**E. Resident Opportunity and Supportive Services, and PIH Family Self-Sufficiency**

Grants funded by the Department of Housing and Urban Development that are intended to programs help residents work toward self-sufficiency and economic independence and move from welfare to work.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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NOTE 1: **REPORTING ENTITY** (Continued)

**F. Business Activity**

The Business Activity Fund was set-up to separate the HUD funded program from non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Careytown Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

**G. Discretely Presented Component Unit**

Coopermill Manor Limited Partnership is a not-for-profit (IRS Section 501( c)(3)) Corporation for the purpose of providing low income housing. The 324 units have been converted to Project Based Rental Assistance units (PBRA) under the HUD's Office of Housing Multifamily. The Zanesville Metropolitan Housing Authority staff operates and manages the units. The financial statements reflected in this report is for the fiscal year ended December 31, 2015.

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

**Basis of Presentation**

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.

**Fund Accounting**

The Authority uses the propriety fund to report on its financial position and the results of its operations for its 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:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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

**Proprietary Fund Types** (Continued)

*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**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include housing assistance payments and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents includes all cash balances and highly liquid investments such as CDs, with initial maturities of 3 months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

**Inventory**

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost.

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 expenditures when used.



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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

**Investments**

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2016 totaled \$10,259.

**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 \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	15-40 years
Furniture, Fixtures and Equipment	3-10 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

**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 borrowing used for the acquisition, construction or improvement of those assets. Net Position is recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Income Taxes**

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

**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 Contributions**

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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

**Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of services are included in the calculation of the compensated absence accrual amount.

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.

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

The following is a summary of changes in compensated absences for the year ended June 30, 2016:

<u>Description</u>	<u>Balance at 6/30/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 6/30/16</u>	<u>Due Within One Year</u>
Compensated Absence	<u>\$ 322,642</u>	<u>\$ 181,006</u>	<u>\$ (216,763)</u>	<u>\$ 286,885</u>	<u>\$ 31,371</u>

**Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The Board of Commissioners adopts the budget through passage of budget resolution.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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

**Pensions - Deferred Inflows/Outflows of Resources**

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 investments at fair value.

**Accounting and Reporting for Nonexchange Transactions**

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB Statement No. 33 identifies four classes of nonexchange transactions as follows:

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sale taxes and other assessments on earnings or consumption).
- Imposed nonexchange revenues: result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (i.e., property taxes and fines).
- Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB Statement No. 33 establishes two distinct standards upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period ) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used, (i.e., capital grants used for purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHA's that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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**NOTE 3: DEPOSIT AND INVESTMENTS**

State statutes classify monies held by the Zanesville Metropolitan Housing Authority into three categories:

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

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

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 certificates of deposit, maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of Authority 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 single collateral pool established by the financial institution to secure the repayment of all public monies deposited with institution.

Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*", as of June 30, 2010, the Authority was not exposed to custodial risk as discussed below because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At fiscal year end June 30, 2016, the carrying amount of the Authority's deposits totaled \$5,788,914 and its bank balance was \$5,874,394. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*", as of June 30, 2016, \$4,728,855 was exposed to custodial risk as discussed below, while \$1,145,539 was covered by the Federal Depository Insurance Corporation.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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

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 the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

**Investments**

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value of return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

*Interest Rate Risk* - The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

*Credit Risk* - HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreements specifically requires compliance with HUD requirement.

*Concentration of Credit Risk* - The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority's practice to do business with more than one depository.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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

The Authority had no investments of June 30, 2016.

A reconciliation of cash and investments as shown on the Statement of Net Position at June 30, 2015 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	\$4,572,546
Cash - Restricted	302,100
Investments - Unrestricted	914,268
Total	<u>\$5,788,914</u>
Carrying Amount of Deposits	\$5,788,914
Carrying Amount of Investments	0
Total	<u>\$5,788,914</u>

*Component Unit* - Cash and Cash equivalents include all cash deposits with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition. Restricted cash includes \$240,602 held with financial institutions for the funding of Working Capital Reserve as required by the Escrow Agreement for Working Capital Reserve by and between Red Mortgage Capital LLC and the Partnership, and the remainder is funds held in connection with the bonds.

**NOTE 4: TENANT ACCOUNT RECEIVABLES**

As of June 30, 2016, tenant account receivable was \$36,256, with an allowance for doubtful accounts of \$25,509.

**NOTE 5: 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.

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.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

*Net Pension Liability* (Continued)

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.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

***Plan Description – Ohio Public Employees Retirement System (OPERS) (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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 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.



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

***Plan Description – Ohio Public Employees Retirement System (OPERS)***(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
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
	14.0 %
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 to the Traditional and Combined Plans was \$178,257 for FYE 6/30/16.

***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:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

	Traditional Plan	Combined Plan	Total
Proportionate Share of the Net Pension Liability / (Asset)	\$2,012,729	(\$21,644)	\$1,991,085
Proportion of the Net Pension Liability / (Asset)	0.011620%	0.044480%	
Pension Expense	\$282,806	\$11,413	\$294,219

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

	Traditional Plan	Combined Plan	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$591,617	\$9,345	\$600,962
Changes in proportion and differences between City contributions and proportionate share of contributions	0	1,084	\$1,084
Authority contributions subsequent to the measurement date	73,569	8,234	81,803
<b>Total Deferred Outflows of Resources</b>	<u>\$665,186</u>	<u>\$18,663</u>	<u>\$683,849</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$38,891	\$9,876	\$48,767
Changes in proportion and differences between City contributions and proportionate share of contributions	52,203	0	52,203
<b>Total Deferred Inflows of Resources</b>	<u>\$91,094</u>	<u>\$9,876</u>	<u>\$100,970</u>

\$81,803 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 June 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:

Year Ending June 30:

	2017	\$106,588
	2018	116,048
	2019	147,852
	2020	134,904
	2021	(1,120)
	Thereafter	<u>(3,196)</u>
<b>Total</b>		<u>\$501,076</u>

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

*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	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	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.

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.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

*Actuarial Assumptions - OPERS*

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>

**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.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

*Actuarial Assumptions - OPERS*

***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:

<u>Authority's proportionate share of the net pension liability</u>	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Traditional Plan	\$3,206,771	\$2,012,729	\$1,005,595
Combined Plan	(\$445)	(\$21,644)	(\$38,698)

NOTE 6: **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.

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.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

**A. Plan Description**

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#CARF>, 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. 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 June 30, 2016, 2015, and 2014, which were used by OPERS to fund post-employment benefits were \$29,710, \$32,776, and \$25,423, respectively.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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**NOTE 7: NOTES RECEIVABLE - PRIMARY GOVERNMENT**

**Development Loan**

On November 1, 2015, Zanesville Metropolitan Housing Authority entered into a loan with Coopermill Manor LP (the Partnership) in the amount of \$450,000 to fund the development of the Project (the "Development Loan"). The Development Loan bears an interest rate of 2 percent per annum. Principal and interest payments are due and payable no later than 120 days following the end of each fiscal year for any year in which there has been Cash Flow, as defined in the Partnership Agreement. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of December 31, 2055. The Development Loan is secured by the Loan Documents, as defined in the development note. As of December 31, 2015, the Development Loan had an outstanding balance of \$450,000.

**Seller Loan**

On November 2, 2015, Zanesville Metropolitan Housing Authority entered into a loan with the Partnership in the amount of \$10,700,000 related to Zanesville Metropolitan Housing Authority's transfer of a leasehold interest in the Project (the "Seller Loan"). The Seller Loan bears an interest rate at of 5 percent per annum, compounding annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full.

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**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

**NOTE 8: CAPITAL ASSETS - PRIMARY GOVERNMENT**

The following is a summary of changes in capital assets:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b><u>Capital Assets Not Depreciated</u></b>				
Land	\$ 1,160,622	\$ 0	\$ 0	\$ 1,160,622
Construction In Progress	0	327,363	0	327,363
<b>Total Capital Assets Not Depreciated</b>	<b>1,160,622</b>	<b>327,363</b>	<b>0</b>	<b>1,487,985</b>
<b><u>Capital Assets Being Depreciated</u></b>				
Buildings and Building Improvements	34,404,864	67,853	(8,307,796)	26,164,921
Furniture, Equipment, and Machinery	1,453,983	17,997	0	1,471,980
<b>Total Capital Assets Being Depreciated</b>	<b>35,858,847</b>	<b>85,850</b>	<b>(8,307,796)</b>	<b>27,636,901</b>
<b><u>Accumulated Depreciation</u></b>				
Buildings and Improvements	(25,718,214)	(624,182)	6,900,975	(19,441,422)
Furniture and Equipment	(1,368,246)	(24,149)	0	(1,392,395)
<b>Total Accumulated Depreciation</b>	<b>(27,086,460)</b>	<b>(648,331)</b>	<b>6,900,975</b>	<b>(20,833,817)</b>
Depreciable Assets, Net	8,772,387	(562,481)	(1,406,821)	6,803,084
<b>Total Capital Assets, Net</b>	<b>\$ 9,933,009</b>	<b>\$ (235,118)</b>	<b>\$ (1,406,821)</b>	<b>\$ 8,291,069</b>

**NOTE 9: LONG-TERM DEBT - PRIMARY GOVERNMENT**

**Loan Payable - Century National Bank**

The Authority has an outstanding note payable with Century National Bank of \$424,259, as of June 30, 2016. The original note was for \$843,000 dated June 1, 2002, to be used for construction of a daycare facility known as Careytown Day Care Center. The note was refinanced in year-end June 30, 2014, an interest rate of 4 percent fixed rate for five years with a variable rate thereafter. The loan is amortized over a 20 year period.

Year Ended June 30	Principal	Interest	Total
2017	\$ 16,974	\$ 16,650	\$ 33,624
2018	17,666	15,958	33,624
2019	18,385	15,239	33,624
2020	19,135	14,489	33,624
2021	19,633	13,991	33,624
2022-2026	110,992	57,127	168,119
2027-2031	135,908	32,211	168,119
2031-2034	85,566	6,900	92,469
<b>Totals</b>	<b>\$ 424,259</b>	<b>\$ 172,564</b>	<b>\$ 563,203</b>



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

**NOTE 9: LONG-TERM DEBT - PRIMARY GOVERNMENT**

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

	P rimary Government				
	Balance at 6/30/2015	Issued	Retired	Balance at 6/30/2016	Due Within One Year
<b><u>Long-Term Debt</u></b>					
Loan Payable	\$ 440,880	\$ 0	\$ (16,621)	\$ 424,259	\$ 16,974
FSS Escrows	92,208	88,698	(68,739)	112,167	0
Accrued Compensated Absences	322,642	181,006	(216,763)	286,885	31,371
Net Pension Liability	1,461,893	532,105	0	1,993,998	0
<b>Total Long-Term Debt Obligation</b>	<b><u>\$ 2,317,623</u></b>	<b><u>\$ 801,809</u></b>	<b><u>\$(302,123)</u></b>	<b><u>\$ 2,817,309</u></b>	<b><u>\$ 48,345</u></b>

**Long-Term Debt - Discretely Presented Component Unit**

**Bonds**

On November 1, 2015, the Partnership entered into a Financing Agreement with OHFA and the Trustee, and was issued tax exempt Multifamily Housing Revenue Bonds (Coopermill Manor Project) Series 2015 in the amount of \$17,850,000 to fund the acquisition and construction of the Project (the "Bonds"). The proceeds of the Bonds was deposited and maintained in the Project Bond Fund (see Note 3) by the Trustee, and shall be disbursed to the Partnership on a draw by draw basis subject to requisite approvals. The Bonds bear an interest rate of 0.85 percent per annum and matures on the fifth business day immediately preceding August 1, 2017. Beginning on the fifth business day prior to February 1 and August 1 of each year, commencing with the fifth business day prior to February 1, 2016, interest only payments shall be due and payable. The Bonds are secured by funds on deposit in the Collateral Account (see Note 3) funded by the proceeds of the Permanent Loan as described in the Bond Indenture dated November 1, 2015. As of December 31, 2015, the Bonds had an outstanding balance of \$17,850,000. For the period from September 8, 2014 (inception) to December 31, 2015, interest expense was \$14,499, and is included in "Construction in Progress" on the accompanying balance sheet. Pursuant to the Financing Agreement, debt service payments on the Bonds was deposited and maintained in the Negative Arbitrage Account (see Note 3). As of December 31, 2015, there was no accrued interest.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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NOTE 9: **LONG-TERM DEBT**

**Long-Term Debt - Discretely Presented Component Unit** (Continued)

Development

On November 1, 2015, the Partnership entered into a loan with Zanesville Metropolitan Housing Authority in the amount of \$450,000 to fund the development of the Project (the "Development Loan"). The Development Loan bears an interest rate of 2 percent per annum. Principal and interest payments are due and payable no later than 120 days following the end of each fiscal year for any year in which there has been Cash Flow, as defined in the Partnership Agreement. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of December 31, 2055. The Development Loan is secured by the Loan Documents, as defined in the development note. As of December 31, 2015, the Development Loan had an outstanding balance of \$450,000. For the period from September 8, 2014 (inception) to December 31, 2015, interest expense was \$0. As of December 31, 2015, there was no accrued interest.

Permanent Loan

On November 1, 2015, the Partnership entered into a FHA-insured mortgage loan with Red Mortgage in the amount of \$12,030,100 to fund the construction or rehabilitation of the Project on the ground leased land (the "Permanent Loan"). The Permanent Loan bears an interest rate of 3.98 percent per annum. Beginning December 1, 2015 through July 1, 2017, interest only payments are due and payable monthly. Beginning August 1, 2017, principal and interest payments shall be due and payable monthly in the amount of \$50,129. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of July 1, 2057. The Permanent Loan is secured by, among other things, a first mortgage, deed to secure debt or deed of trust. As of December 31, 2015, the Permanent Loan had an outstanding balance of \$2,725,789. For the period from September 8, 2014 (inception) to December 31, 2015, interest expense was \$2,621, and is included in "Construction in Progress" on the accompanying balance sheet. As of December 31, 2015, there was not accrued interest.

Seller Loan

On November 1, 2015, the Partnership entered into a loan with Zanesville Metropolitan Housing Authority in the amount of \$10,700,000 related to ZMHA's transfer of a leasehold interest in the Project (the "Seller Loan"). The Seller Loan bears an interest rate at of 5 percent per annum, compounding annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (CONTINUED)**

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NOTE 9: **LONG-TERM DEBT** (Continued)

**Long-Term Debt - Discretely Presented Component Unit** (Continued)

HHFA Loan

On November 1, 2015, the Partnership entered into a loan with MHA and the Ohio Housing Finance Agency in the amount of \$750,000 to fund the development of the Project (the “HHFA Loan”). The HHFA Loan bears an interest rate of 2 percent per annum, compounding semi-annually, and matures of December 31, 2055. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. As of December 31, 2015, no draws have been made on the HHFA Loan.

Future minimum principal payment requirements on the mortgages and loans payable above over the next five years are as follows, which includes their maximum principal balances that have not been drawn due to the ongoing construction.

<u>Year Ended December 31</u>	
2016	\$ 0
2017	17,901,486
2018	127,101
2019	132,253
2020	137,614
Thereafter	<u>22,731,646</u>
<b>Totals</b>	<b><u>\$41,030,100</u></b>

NOTE 10: **ECONOMIC DEPENDANCY**

Both the PHA Low Rent Public Housing Program and the Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 11: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2016, the Authority maintained comprehensive insurance coverage with private carriers for health, real estate property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

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**NOTE 12: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

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

The Authority did not use the de-minimus rate of 10 percent for indirect costs charged to the federal grants.

**NOTE 13: SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through December 5, 2016, the date on which the financial statements were available to be issued.

**NOTE 14: SPECIAL ITEM - PRIMARY GOVERNMENT**

Assets of the former AMP1 (Public Housing Project) were transferred to the new RAD entity, Coopermill Manor LP. An appraisal was done of the property at transfer and the appraised value was \$7,893,179 higher than the net book value recorded on the books of the Authority. The transfer to the Limited Partnership created a note receivable to the Authority for the appraised value. The primary government reported a special item of \$7,893,179 to record the increase related to this transaction.

**ZANESVILLE 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 - Traditional Plan	0.011620%	0.012276%	0.012276%
Authority's Proportion of the Net Pension (Asset) - Combined Plan	0.044480%	0.048646%	0.048646%
Authority's Proportionate Share of the Net Pension Liability - Traditional Plan	\$2,012,729	\$1,480,623	\$1,447,180
Authority's Proportionate Share of the Net Pension (Asset) - Combined Plan	(\$21,644)	(\$18,730)	(\$5,104)
Total Net Pension Liability	\$1,991,085	\$1,461,893	\$1,442,076
Authority's Covered-Employee Payroll	\$1,485,475	\$1,638,814	\$1,694,864
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	135.49%	89.20%	85.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Traditional Plan	81.08%	86.45%	86.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Combined Plan	116.90%	114.83%	104.33%

(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

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contributions	\$ 178,257	\$ 196,658	\$ 203,384	\$ 223,438	\$ 251,350	\$258,747	\$261,551	\$251,542	\$237,609	\$228,661
Contributions in Relation to the Contractually Required Contribution	<u>(178,257)</u>	<u>(196,658)</u>	<u>(203,384)</u>	<u>(223,438)</u>	<u>(251,350)</u>	<u>(258,747)</u>	<u>(261,551)</u>	<u>(251,542)</u>	<u>(237,609)</u>	<u>(228,661)</u>
Contribution Deficiency / (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority's Covered-Employee Payroll	\$ 1,485,475	\$ 1,638,814	\$ 1,694,864	\$ 1,718,757	\$ 1,795,357	\$ 1,850,837	\$ 1,868,221	\$ 1,796,729	\$ 1,705,736	\$ 1,741,516
Contributions as a Percentage of Covered- Employee Payroll [1]	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%	7.77%

[1] - Traditional and Combined Plans contribution percentages are the same for 2014-2016. Prior to 2013, stated contribution percentage is for Traditional Plan.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL SCHEDULE**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**JUNE 30, 2016**

	Project Total	17.259 WIA Youth Activities	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.267 Continuum of Care	1 Business Activities	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,421,265			230,178		2,240,898	101,178		680,205	4,673,724		4,673,724
113 Cash - Other Restricted	3,112			172,133			18,205,105			18,380,350		18,380,350
114 Cash - Tenant Security Deposits	126,855									126,855		126,855
<b>100 Total Cash</b>	<b>1,551,232</b>	<b>-</b>	<b>-</b>	<b>402,311</b>	<b>-</b>	<b>2,240,898</b>	<b>18,306,283</b>	<b>-</b>	<b>680,205</b>	<b>23,180,929</b>	<b>-</b>	<b>23,180,929</b>
122 Accounts Receivable - HUD Other Projects									17,866	17,866		17,866
124 Accounts Receivable - Other Government		1,272								1,272		1,272
125 Accounts Receivable - Miscellaneous						68,934			2,298	71,232		71,232
126 Accounts Receivable - Tenants	5,581									5,581		5,581
126.1 Allowance for Doubtful Accounts -Tenants	-500									-500		-500
128 Fraud Recovery				30,675						30,675		30,675
128.1 Allowance for Doubtful Accounts - Fraud				-25,009						-25,009		-25,009
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>5,081</b>	<b>1,272</b>	<b>-</b>	<b>5,666</b>	<b>-</b>	<b>68,934</b>	<b>-</b>	<b>-</b>	<b>20,164</b>	<b>101,117</b>	<b>-</b>	<b>101,117</b>
131 Investments - Unrestricted	476,506					437,762				914,268		914,268
142 Prepaid Expenses and Other Assets	25,946			2,986		2,473			2,404	33,809		33,809
143 Inventories									215,651	215,651		215,651
143.1 Allowance for Obsolete Inventories									-21,500	-21,500		-21,500
<b>150 Total Current Assets</b>	<b>2,058,765</b>	<b>1,272</b>	<b>-</b>	<b>410,963</b>	<b>-</b>	<b>2,750,067</b>	<b>18,306,283</b>	<b>-</b>	<b>896,924</b>	<b>24,424,274</b>	<b>-</b>	<b>24,424,274</b>
161 Land	1,024,522					116,100			20,000	1,160,622		1,160,622
162 Buildings	17,207,048					4,717,793	9,300,000		1,033,508	32,258,349		32,258,349
163 Furniture, Equipment & Machinery - Dwellings	216,900								206,905	423,805		423,805
164 Furniture, Equipment & Machinery - Administration	35,906			14,450		325,401			672,418	1,048,175		1,048,175
165 Leasehold Improvements	2,751,039					443,083			12,450	3,206,572		3,206,572
166 Accumulated Depreciation	-15,777,094			-14,450		-3,677,210	-38,750		-1,365,063	-20,872,567		-20,872,567
167 Construction in Progress	327,363						5,547,846			5,875,209		5,875,209
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>5,785,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,925,167</b>	<b>14,809,096</b>	<b>-</b>	<b>580,218</b>	<b>23,100,165</b>	<b>-</b>	<b>23,100,165</b>
171 Notes, Loans and Mortgages Receivable - Non-Current						11,150,000				11,150,000		11,150,000
174 Other Assets	408			408		408	2,288,019		76,690	2,365,933		2,365,933
<b>180 Total Non-Current Assets</b>	<b>5,786,092</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>-</b>	<b>13,075,575</b>	<b>17,097,115</b>	<b>-</b>	<b>656,908</b>	<b>36,616,098</b>	<b>-</b>	<b>36,616,098</b>
200 Deferred Outflow of Resources	97,640			84,057		97,641			404,511	683,849		683,849
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>7,942,497</b>	<b>1,272</b>	<b>-</b>	<b>495,428</b>	<b>-</b>	<b>15,923,283</b>	<b>35,403,398</b>	<b>-</b>	<b>1,958,343</b>	<b>61,724,221</b>	<b>-</b>	<b>61,724,221</b>

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
JUNE 30, 2016**

	Project Total	17.259 WIA Youth Activities	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.267 Continuum of Care	1 Business Activities	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	1,835	133		2,267		460	8,981		4,554	18,230		18,230
321 Accrued Wage/Payroll Taxes Payable	7,758	1,139		5,933					58,367	73,197		73,197
322 Accrued Compensated Absences - Current Portion									31,371	31,371		31,371
341 Tenant Security Deposits	126,855									126,855		126,855
342 Unearned Revenue	3,838					2,410,916				2,414,754		2,414,754
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds						16,974				16,974		16,974
345 Other Current Liabilities	5,351					121,684	574,437			701,472		701,472
346 Accrued Liabilities - Other	12,120								1,041	13,161		13,161
<b>310 Total Current Liabilities</b>	<b>157,757</b>	<b>1,272</b>	<b>-</b>	<b>8,200</b>	<b>-</b>	<b>2,550,034</b>	<b>583,418</b>	<b>-</b>	<b>95,333</b>	<b>3,396,014</b>	<b>-</b>	<b>3,396,014</b>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						407,285	31,725,789			32,133,074		32,133,074
353 Non-current Liabilities - Other	3,112			109,055						112,167		112,167
354 Accrued Compensated Absences - Non Current	52,277			57,008					146,229	255,514		255,514
357 Accrued Pension and OPEB Liabilities	279,158			279,160		279,160			1,156,520	1,993,998		1,993,998
<b>350 Total Non-Current Liabilities</b>	<b>334,547</b>	<b>-</b>	<b>-</b>	<b>445,223</b>	<b>-</b>	<b>686,445</b>	<b>31,725,789</b>	<b>-</b>	<b>1,302,749</b>	<b>34,494,753</b>	<b>-</b>	<b>34,494,753</b>
<b>300 Total Liabilities</b>	<b>492,304</b>	<b>1,272</b>	<b>-</b>	<b>453,423</b>	<b>-</b>	<b>3,236,479</b>	<b>32,309,207</b>	<b>-</b>	<b>1,398,082</b>	<b>37,890,767</b>	<b>-</b>	<b>37,890,767</b>
400 Deferred Inflow of Resources	14,136			14,136		14,136			58,562	100,970		100,970
508.4 Net Investment in Capital Assets	5,785,684					1,500,908	1,047,810		580,218	8,914,620		8,914,620
511.4 Restricted Net Position				63,078			240,602			303,680		303,680
512.4 Unrestricted Net Position	1,650,373			-35,209		11,171,760	1,805,779		-78,519	14,514,184		14,514,184
<b>513 Total Equity - Net Assets / Position</b>	<b>7,436,057</b>	<b>-</b>	<b>-</b>	<b>27,869</b>	<b>-</b>	<b>12,672,668</b>	<b>3,094,191</b>	<b>-</b>	<b>501,699</b>	<b>23,732,484</b>	<b>-</b>	<b>23,732,484</b>
<b>600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net</b>	<b>7,942,497</b>	<b>1,272</b>	<b>-</b>	<b>495,428</b>	<b>-</b>	<b>15,923,283</b>	<b>35,403,398</b>	<b>-</b>	<b>1,958,343</b>	<b>61,724,221</b>	<b>-</b>	<b>61,724,221</b>



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Project Total	17.259 WIA Youth Activities	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.267 Continuum of Care	1 Business Activities	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	1,064,772						132,407			1,197,179		1,197,179
70400 Tenant Revenue - Other	15,921									15,921		15,921
<b>70500 Total Tenant Revenue</b>	<b>1,080,693</b>	-	-	-	-	-	<b>132,407</b>	-	-	<b>1,213,100</b>	-	<b>1,213,100</b>
70600 HUD PHA Operating Grants	2,203,448		136,812	3,755,452	35,418			227,953		6,359,083		6,359,083
70610 Capital Grants	413,213									413,213		413,213
70710 Management Fee									488,722	488,722	-488,722	-
70720 Asset Management Fee									42,000	42,000	-42,000	-
70730 Book Keeping Fee									113,363	113,363	-113,363	-
70740 Front Line Service Fee									796,316	796,316	-796,316	-
70750 Other Fees									130,725	130,725		130,725
<b>70700 Total Fee Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,571,126</b>	<b>1,571,126</b>	<b>-1,440,401</b>	<b>130,725</b>
70800 Other Government Grants		29,808					196,293			226,101		226,101
71100 Investment Income - Unrestricted	9,305			954			823			11,082		11,082
71400 Fraud Recovery				19,476						19,476		19,476
71500 Other Revenue	107,685			36,969		256,493	3,039,091		2,733	3,442,971		3,442,971
<b>70000 Total Revenue</b>	<b>3,814,344</b>	<b>29,808</b>	<b>136,812</b>	<b>3,812,851</b>	<b>35,418</b>	<b>256,493</b>	<b>3,368,614</b>	<b>227,953</b>	<b>1,573,859</b>	<b>13,256,152</b>	<b>-1,440,401</b>	<b>11,815,751</b>
91100 Administrative Salaries	176,051	19,580		112,923			20,869		344,899	674,322		674,322
91200 Auditing Fees	3,225			9,302						12,527		12,527
91300 Management Fee	369,610			119,112						488,722	-488,722	-
91310 Book-keeping Fee	38,918			74,445						113,363	-113,363	-
91500 Employee Benefit contributions - Administrative	117,535	3,343		79,724			17,164		213,768	431,534		431,534
91600 Office Expenses	48,130			24,288			5,829		13,592	91,839		91,839
91700 Legal Expense	8,079			4,630			1,000		14,843	28,552		28,552
91800 Travel	6,946			6,697			92		24,673	38,408		38,408
91900 Other	18,693	6,885		9,200		22,667	31,617		10,615	99,677		99,677
<b>91000 Total Operating - Administrative</b>	<b>787,187</b>	<b>29,808</b>	<b>-</b>	<b>440,321</b>	<b>-</b>	<b>22,667</b>	<b>76,571</b>	<b>-</b>	<b>622,390</b>	<b>1,978,944</b>	<b>-602,085</b>	<b>1,376,859</b>
92000 Asset Management Fee	42,000									42,000	-42,000	-
92100 Tenant Services - Salaries	9,867		73,625					156,512		240,004		240,004
92200 Relocation Costs	7,831									7,831		7,831
92300 Employee Benefit Contributions - Tenant Services			44,067					71,441		115,508		115,508
92400 Tenant Services - Other	4,358		19,120		494	7,112				31,084		31,084
<b>92500 Total Tenant Services</b>	<b>22,056</b>	<b>-</b>	<b>136,812</b>	<b>-</b>	<b>494</b>	<b>7,112</b>	<b>-</b>	<b>227,953</b>	<b>-</b>	<b>394,427</b>	<b>-</b>	<b>394,427</b>
93100 Water	22,975			590		137	7,092		502	31,296		31,296
93200 Electricity	171,625			1,563		1,042	24,847		10,146	209,223		209,223
93300 Gas	27,855			219		803	31,633		7,416	67,926		67,926
93600 Sewer	26,693			2,011		309			1,588	30,601		30,601
93800 Other Utilities Expense	45,832						28,368			74,200		74,200
<b>93000 Total Utilities</b>	<b>294,980</b>	<b>-</b>	<b>-</b>	<b>4,383</b>	<b>-</b>	<b>2,291</b>	<b>91,940</b>	<b>-</b>	<b>19,652</b>	<b>413,246</b>	<b>-</b>	<b>413,246</b>
94100 Ordinary Maintenance and Operations - Labor									542,454	542,454		542,454
94200 Ordinary Maintenance and Operations - Materials and Other	45,203			3,778					178,728	227,709		227,709
94300 Ordinary Maintenance and Operations Contracts	828,297			21,004		27,205	56,563		855	933,924	-796,316	137,608
94500 Employee Benefit Contributions - Ordinary Maintenance									365,311	365,311		365,311
<b>94000 Total Maintenance</b>	<b>873,500</b>	<b>-</b>	<b>-</b>	<b>24,782</b>	<b>-</b>	<b>27,205</b>	<b>56,563</b>	<b>-</b>	<b>1,087,348</b>	<b>2,069,398</b>	<b>-796,316</b>	<b>1,273,082</b>

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Project Total	17.259 WIA Youth Activities	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.267 Continuum of Care	1 Business Activities	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor	45,647									45,647		45,647
95200 Protective Services - Other Contract Costs	123								249	372		372
95500 Employee Benefit Contributions - Protective Services	43,430									43,430		43,430
<b>95000 Total Protective Services</b>	<b>89,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249</b>	<b>89,449</b>	<b>-</b>	<b>89,449</b>
96110 Property Insurance	57,864					4,091	2,580		4,259	68,794		68,794
96120 Liability Insurance	29,386			5,410						34,796		34,796
96130 Workmen's Compensation	2,489			1,380					5,405	9,274		9,274
96140 All Other Insurance	8,541			827			56		2,153	11,577		11,577
<b>96100 Total insurance Premiums</b>	<b>98,280</b>	<b>-</b>	<b>-</b>	<b>7,617</b>	<b>-</b>	<b>4,091</b>	<b>2,636</b>	<b>-</b>	<b>11,817</b>	<b>124,441</b>	<b>-</b>	<b>124,441</b>
96200 Other General Expenses	21,339			1,240		22,754	4,629		8,332	58,294		58,294
96400 Bad debt - Tenant Rents	9,505									9,505		9,505
<b>96000 Total Other General Expenses</b>	<b>30,844</b>	<b>-</b>	<b>-</b>	<b>1,240</b>	<b>-</b>	<b>22,754</b>	<b>4,629</b>	<b>-</b>	<b>8,332</b>	<b>67,799</b>	<b>-</b>	<b>67,799</b>
96710 Interest of Mortgage (or Bonds) Payable						17,002				17,002		17,002
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,002</b>	<b>-</b>	<b>17,002</b>
<b>96900 Total Operating Expenses</b>	<b>2,238,047</b>	<b>29,808</b>	<b>136,812</b>	<b>478,343</b>	<b>494</b>	<b>103,122</b>	<b>232,339</b>	<b>227,953</b>	<b>1,749,788</b>	<b>5,196,706</b>	<b>-1,440,401</b>	<b>3,756,305</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>1,576,297</b>	<b>-</b>	<b>-</b>	<b>3,334,508</b>	<b>34,924</b>	<b>153,371</b>	<b>3,136,275</b>	<b>-</b>	<b>-175,929</b>	<b>8,059,446</b>	<b>-</b>	<b>8,059,446</b>
97100 Extraordinary Maintenance	668,617									668,617		668,617
97200 Casualty Losses - Non-capitalized	63,700									63,700		63,700
97300 Housing Assistance Payments	196,292			3,343,872	34,924					3,575,088		3,575,088
97350 HAP Portability-In				17,287						17,287		17,287
97400 Depreciation Expense	577,824					37,592	38,750		32,915	687,081		687,081
97800 Dwelling Units Rent Expense							3,334			3,334		3,334
<b>90000 Total Expenses</b>	<b>3,744,480</b>	<b>29,808</b>	<b>136,812</b>	<b>3,839,502</b>	<b>35,418</b>	<b>140,714</b>	<b>274,423</b>	<b>227,953</b>	<b>1,782,703</b>	<b>10,211,813</b>	<b>-1,440,401</b>	<b>8,771,412</b>
10010 Operating Transfer In	181,476									181,476	-181,476	-
10020 Operating transfer Out	-181,476									-181,476	181,476	-
10080 Special Items (Net Gain/Loss)	7,893,179									7,893,179		7,893,179
<b>10100 Total Other financing Sources (Uses)</b>	<b>7,893,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,893,179</b>	<b>-</b>	<b>7,893,179</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>7,963,043</b>	<b>-</b>	<b>-</b>	<b>-26,651</b>	<b>-</b>	<b>115,779</b>	<b>3,094,191</b>	<b>-</b>	<b>-208,844</b>	<b>10,937,518</b>	<b>-</b>	<b>10,937,518</b>
11030 Beginning Equity	11,540,337			54,520		489,566			710,543	12,794,966		12,794,966
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-12,067,323					12,067,323				-		-
11170 Administrative Fee Equity				-35,209						-35,209		-35,209
11180 Housing Assistance Payments Equity				63,078						63,078		63,078
11190 Unit Months Available	5,496			11,268	103		2,592			19,459		19,459
11210 Number of Unit Months Leased	5,158			9,926	103		1,742			16,929		16,929

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Funds Expended</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<b><u>Direct Programs</u></b>		
Public and Indian Housing Operating Subsidy	14.850	\$ 1,219,648
Resident Opportunity and Support Services	14.870	136,812
Section 8 Housing Choice Voucher	14.871	3,755,452
Public Housing Capital Fund	14.872	1,397,013
Continuum of Care	14.267	35,418
PIH Family Self Sufficiency	14.896	<u>227,953</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>6,772,296</u>
<b><u>U.S. Department of Labor</u></b>		
WIA Youth Activities	17.259	<u>29,808</u>
<b>Total Department of Labor</b>		<u>29,808</u>
<b>TOTAL ALL PROGRAMS</b>		<u>\$ 6,802,104</u>

This schedule is prepared on the accrual basis of accounting.

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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

To the Members of the Board  
Zanesville Metropolitan Housing Authority  
Zanesville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

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 and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2016.

Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the Authority's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Zanesville Metropolitan Housing 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Zanesville Metropolitan Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Zanesville Metropolitan Housing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Zanesville Metropolitan Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Zanesville Metropolitan Housing 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 Zanesville Metropolitan Housing Authority'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 Zanesville Metropolitan Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 5, 2016

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of the Board  
Zanesville Metropolitan Housing Authority  
Zanesville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

***Report on Compliance for Each Major Federal Program***

We have audited the Zanesville Metropolitan Housing Authority, Ohio'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 Zanesville Metropolitan Housing Authority's major federal program for the year ended June 30, 2016. The Zanesville Metropolitan Housing 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Zanesville Metropolitan Housing 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 Zanesville Metropolitan Housing 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 federal program. However, our audit does not provide a legal determination of the Zanesville Metropolitan Housing Authority's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the Zanesville Metropolitan Housing Authority, Ohio, 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 for the year ended June 30, 2016.

## ***Report on Internal Control over Compliance***

Management of the Zanesville Metropolitan Housing 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 Zanesville Metropolitan Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 Zanesville Metropolitan Housing 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.



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

December 5, 2016

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2016(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list):  Section 8 Housing Choice Vouchers - CFDA #14.871	
2016(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: > all others
2016(ix)	Low Risk Auditee?	Yes

**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.



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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The audit report for the fiscal year ending June 30, 2015 contained no audit findings.

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# Dave Yost • Auditor of State

ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM 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  
MARCH 28, 2017