CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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

Dave Yost • Auditor of State

Members of the Board
Chillicothe Metropolitan Housing Authority
178 West Fourth Street
Chillicothe, Ohio 45601-3219

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by James G. Zupka, CPA, Inc., for the audit period October 1, 2016 through September 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Chillicothe Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 27, 2018

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BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE FICAL YEAR ENDED SEPTEMBER 30, 2017

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Chillicothe Metropolitan Housing Authority
Chillicothe, 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 of the Chillicothe Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended September 30, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Chillicothe Metropolitan Housing Authority as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Authority's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required 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 not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate 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 Statement of Modernization Cost - Completed, 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 March 26, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

March 26, 2018

Management's Discussion and Analysis for the year ended September 30, 2017.

This Management's Discussion and Analysis (MD&A) for the Chillicothe Metropolitan Housing Authority (Chillicothe MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Chillicothe MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended September 30, 2017, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The Basic Financial Statements included elsewhere in this report are:

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

The **Statement of Net Position** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it essentially reports the value of assets Chillicothe MHA holds at 9/30/17, that is, the cash Chillicothe MHA has, the amounts that are owed Chillicothe MHA from others, and the value of the equipment Chillicothe MHA owns. In the other half of the report it essentially shows the liabilities Chillicothe MHA has, that is, what Chillicothe MHA owes others at 9/30/17; and what Net Position (or what is commonly referred to as Equity) Chillicothe MHA has at 9/30/17. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet.

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

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

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

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

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

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

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

Chillicothe MHA's Business Type Funds

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

Chillicothe MHA's programs include the following:

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

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

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

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

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

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

Condensed Financial Statements

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

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

	2017	2016
Assets and Deferred Outflows of Resources		
Current and Other Assets	$ 1,866,000	$ 1,991,000
Capital Assets	6,412,000	6,786,000
Deferred Outflows of Resources	376,000	311,000
Total Assets and Deferred Outflows of Resources	$ 8,654,000	$ 9,088,000
Liabilities		
Current Liabilities	$ 205,000	$ 267,000
Long-Term Liabilities	1,096,000	899,000
Total Liabilities	1,301,000	1,166,000
Deferred Inflows of Resources	12,000	15,000
Net Position		
Net Investment in Capital Assets	6,412,000	6,786,000
Restricted	22,000	-
Unrestricted	907,000	1,121,000
Total Net Position	7,341,000	7,907,000
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 8,654,000	$ 9,088,000

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

Current assets and current liabilities are down from the prior year, primarily the result of timing issues. At the prior year-end the agency reported a larger than normal account receivable from HUD and there is no larger than normal account receivable from HUD at the end of 2017. The drop in current liabilities is about $62,000 (23 percent). The cause for the drop is primarily in the accounts payable and wages payable balances due to normal fluctuations due to timing of when invoices are paid and when pay periods end compared to when the year-end falls.

Another notable change is to net pension liability, reported as part of non-current liabilities which increased by about $219,000 (or 29 percent). Net pension liability however is not a debt to be paid by the agency. This balance reported pursuant to GASB 68 is what is estimated to be Chillicothe MHA's share of the unfunded pension liability of the Ohio Public Employees Retirement System (OPERS). It represents an estimate of what Chillicothe MHA would have to contribute if OPERS were to fully fund its pension obligations. Employees of Chillicothe MHA are required by state law to be members of OPERS and Chillicothe MHA is required to make pension contributions to OPERS on behalf of all of its employees.

Net position also dropped by about 7 percent. Discussion about what contributed to the change in net pension will be discussed in the section following the Condensed Statement of Revenues, Expenses and changes in Net Position.

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

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

	2017	2016
Revenues		
Tenant Revenues - Rents and Others	$ 856,000	$ 819,000
Operating Subsidies and Grants	4,456,000	4,555,000
Capital Grants	249,000	124,000
Investment Income	1,000	1,000
Other Reveues	42,000	10,000
Total Revenues	5,604,000	5,509,000
Expenses		
Administrative	913,000	854,000
Tenant Services	118,000	127,000
Utilities	343,000	324,000
Maintenance	1,070,000	1,354,000
General	282,000	233,000
Housing Assistance Payments	2,822,000	2,450,000
Depreciation	622,000	651,000
Total Expenses	6,170,000	5,993,000
Net (Decrease) in Net Position	(566,000)	(484,000)
Beginning Net Position	7,907,000	8,391,000
Ending Net Position	$7,341,000	$ 7,907,000

Overall revenues increased minimally increasing only about 2 percent with the drop in subsidies being offset by the increase in capital grant revenue. Expenses overall also increased minimally increasing by about only 3 percent although maintenance expenses dropped and HAP expense increased considerably.

The increase in HAP expense was the result of steps taken by management to more fully use funding made available to the agency from HUD under the Section 8 Housing /choice Voucher program for the purpose of making HAP payments (rental assistance payments) on behalf of program participants. The agency increased the number of families assisted under the program because funding was available to the agency to spend for this purpose.

The drop in maintenance expenses did not reflect so much of a drop in Capital Fund Program (CFP) spending but rather an indication that more of the funding provided under the CFP program was used to make capital improvements to properties versus to complete extraordinary maintenance work items. This is related to the increase in capital grant revenue noted in the first paragraph of this section. The capital fund program is a reimbursing grant. Revenue for the program is recognized as the funding is spent. When the program funding is used for non-capital, extraordinary maintenance work items, the revenue is reported as subsidy and the expended funds reported as maintenance expense. When the program funding is used for capital improvement work items, the revenue is reported as capital grant revenue and the expenditures are reported as increases in capital assets. This year more of the funding was used for capital improvement work items.

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

	2017	2016
Land and Land Rights	$ 1,301,000	$ 1,301,000
Buildings and Improvements	24,879,000	24,630,000
Equipment	480,000	493,000
Accumulated Depreciation	(20,248,000)	(19,638,000)
Total	$ 6,412,000	$ 6,786,000

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

Debt

The agency has no debt.

Economic Factors

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

Financial Contact

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	1,525,514
Restricted Cash and Cash Equivalents		175,439
Receivables, Net		110,137
Prepaid Expenses and Other Assets		54,851
Total Current Assets		1,865,941
Non-Current Assets		
Capital Assets:		
Non-Depreciable Capital Assets		1,301,488
Depreciable Capital Assets, Net		5,110,564
Total Non-Current Assets		6,412,052
DEFERRED OUTFLOWS OF RESOURCES		375,613
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	8,653,606
LIABILITIES		
Current Liabilities		
Accounts Payable	$	62,769
Accrued Liabilities		40,526
Intergovernmental Payables		39,219
Tenant Security Deposits		62,025
Total Current Liabilities		204,539
Non-Current Liabilities		
Accrued Compensated Absences Non-Current		34,385
Other Non-Current Liabilities		91,184
Net Pension Liability		969,919
Total Non-Current Liabilities		1,095,488
TOTAL LIABILITIES		1,300,027
DEFEFFED INFLOWS OF RESOURCES		12,120
NET POSITION		
Investment in Capital Assets		6,412,052
Restricted Net Position		22,230
Unrestricted Net Position		907,177
TOTAL NET POSITION		7,341,459
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	8,653,606

See accompanying notes to the basic financial statements.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Operating Revenues	
Tenant Revenue	$ 856,353
Government Operating Grants	4,456,320
Other Revenue	42,205
Total Operating Revenues	5,354,878
Operating Expenses	
Administrative	913,065
Tenant Services	117,645
Utilities	343,139
Maintenance	1,070,196
Protective Services	27,211
General	254,725
Housing Assistance Payment	2,821,702
Depreciation	622,320
Total Operating Expenses	6,170,003
Operating Income (Loss)	(815,125)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	469
Total Non-Operating Revenues (Expenses)	469
Income (Loss) Before Contributions	(814,656)
Capital Grants	248,758
Change in Net Position	(565,898)
Total Net Position - Beginning of Year	7,907,357
Total Net Position - End of Year	$ 7,341,459

See accompanying notes to the basic financial statements.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Cash Flows from Operating Activities		
Cash from HUD and Other Governments	$	4,640,893
Cash from Tenants		852,422
Cash from Other Sources		33,035
Cash Paid for HAPs		(2,821,702)
Cash Paid for Administration		(921,491)
Cash Paid for Other Operating		(1,681,030)
Net Cash Used by Operating Activities		102,127
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets		(248,758)
Capital Grants Received		248,758
Net Cash Provided by Capital and Related Financing Activities		-
Cash Flows from Investing Activities		
Investment Income		469
Net Cash Provided by Investing Activities		469
Net Increase in Cash and Cash Equivalents		102,596
Cash and Cash Equivalents - Beginning of Year		1,598,357
Cash and Cash Equivalents - End of Year	$	1,700,953
Reconciliation of Net Operating Loss to		
Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	$	(815,125)
Adjustments to Reconcile Operating Loss to		
Net Cash Used by Operating Activities:		
Depreciation		622,320
(Increase) Decrease in Accounts Receivable		209,059
(Increase) Decrease in Inventory		17,957
(Increase) Decrease in Prepaid Expenses and Other Assets		1,042
(Increase) Decrease in Deferred Outflows		(64,595)
Increase (Decrease) in Accounts Payable		(72,267)
Increase (Decrease) in Accrued Wages and Payroll Taxes		5,349
Increase (Decrease) in Tenant Security Deposits		4,125
Increase (Decrease) in Pension Liability		219,389
Increase (Decrease) in Deferred Inflows		(2,382)
Increase (Decrease) in Other Liabilities		(22,745)
Net Cash Provided by Operating Activities	$	102,127

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tenant Receivables, Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was $34,000 at year end 2017.

Other Assets

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2017, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase, and expense is reported in the year in which the services are consumed.

Inventory

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

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

Capital Assets

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

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

Due From/To Other Programs

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

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

Compensated Absences

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

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

Net Position

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

Operating Revenues and Expenses

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

Capital Grants

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

Budgetary Accounting

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

Accounting and Reporting for Non-Exchange Transactions

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

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

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

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

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

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

3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

At fiscal year-end September 30, 2017, the carrying amount of the Authority's deposits totaled $1,700,953 (including petty cash of $100) and its bank balance was $1,754,512. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of September 30, 2017, a total of $1,228,311 was exposed to custodial risk as discussed below, while $526,201 was covered by Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve banks or at member banks of the Federal Reserve system, in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve in the name of the Authority.

Investments

The Authority had no investments at September 30, 2017.

NOTE 3: RESTRICTED CASH AND INVESTMENT

Restricted cash balance as of September 30, 2017 of $175,439 represents cash on hand for the following:

Unspent Funding to pay HAP's	$	22,230
Tenant Security Deposit		62,025
FSS Escrow Held for Tenants		91,184
Total Restricted Cash	$	175,439

NOTE 4: RISK MANAGEMENT

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

Type of Coverage	Deductible	Coverage Limits
Property		$ 55,612,200
Automobile Physical Damage	500	per occurrence
Boiler and Machinery	1,000	100,000,000
Liability:		
General	0	2,000,000
Automobile	0	included
Public Officials	0	included
Law Enforcement	0	included
Professional Liability	5,000	1,000,000

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

NOTE 5: CAPITAL ASSETS

	Balance 9/30/16	Additions	Deletions	Balance 09/30/17
Capital Assets Not Being Depreciated				
Land	$ 1,301,488	$ 0	$ 0	$ 1,301,488
Total Capital Assets Not Being Depreciated	1,301,488	0	0	1,301,488
Capital Assets Being Depreciated				
Buildings	24,630,064	248,758	0	24,878,822
Equipment	492,916	0	(13,405)	479,511
Subtotal Capital Assets Being Depreciated	25,122,980	248,758	(13,405)	25,358,333
Accumulated Depreciation -				
Buildings	(19,155,769)	(618,026)	0	(19,773,795)
Equipment	(483,085)	(4,294)	13,405	(473,974)
Total Accumulated Depreciation	(19,638,854)	(622,320)	13,405	(20,247,769)
Net Depreciable	5,484,126	(373,562)	0	5,110,564
Total Capital Assets, Net	$ 6,785,614	$ (373,562)	$ 0	$ 6,412,052

NOTE 6: DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $71,881for the fiscal year ending September 30, 2017.

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, 2016, 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:

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

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

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.004333%
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.004258%
Change in Proportionate Share	-0.000075%
Proportionate Share of the Net Pension Liability/(Asset)	$ 969,919
Pension Expense	$ 205,279

At September 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$143,995
Changes of assumptions	153,365
Differences between expected and actual experience	1,311
Changes in proportion and differences between Agency contributions and proportionate share of contributions	19,500
Agency contributions subsequent to the measurement date	57,442
Total Deferred Outflows of Resources	$375,613
Deferred Inflows of Resources	
Differences between expected and actual experience	$5,754
Changes in proportion and differences between Agency contributions and proportionate share of contributions	6,366
Total Deferred Inflows of Resources	$12,120

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

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

$57,442 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan
Year Ending September 30:	
2018	$134,476
2019	124,866
2020	50,930
2021	(4,221)
2022	0
Thereafter	0
Total	$306,051

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

Actuarial Assumptions – OPERS (Continued)

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 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 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. 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 annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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

Actuarial Assumptions – OPERS (Continued)

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 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$ 1,477,185.36	$969,919	541,702.76

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

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

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

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

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, 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

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

B. Funding Policy

contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 remained at 1.0% 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 starting in 2015 was 4.5%. The portion of actual Authority contributions for the year ended September 30, 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were $7,307, $11,989, and $11,442, respectively.

NOTE 8: **COMPENSATED ABSENCES**

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 3 months of employment. As of September 30, 2017, the accrual for compensated absences totaled $34,385 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Position. The Authority considers all compensated absences payable as non-current.

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

The following is a summary of changes in long-term liabilities for the year ended September 30, 2017:

Description	Balance at 9/30/2016	Additions	Deletions	Balance at 9/30/2017	Amounts Due In One Year
Compensated Absences	$ 48,160	$ 33,993	$ (47,768)	$ 34,385	$ 0
Net Pension Liability	750,530	219,389	-	969,919	-
FSS Escrows	100,154	63,243	(72,213)	91,184	-
	$ 898,844	$ 316,625	$ (119,981)	$1,095,488	$ 0

NOTE 10: **OPERATING LEASES**

The Authority leases office equipment through operating leases. Minimum future rental payments under non-cancelable operating leases having terms in the excess of one year as of September 30, 2017 are:

FYE 2018	$	48,227
FYE 2019		15,492
FYE 2020		0
FYE 2021		0
FYE 2022		0
	$	63,719

Rent expense for operating leases was $50,075 for the year.

NOTE 11: **CONTINGENCIES**

Grants
Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2017.

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

NOTE 12: **ECONOMIC DEPENDENCY**

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

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

Traditional Plan	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.004258%	0.004333%	0.003878%	0.003878%
Authority's Proportionate Share of the Net Pension Liability	$969,919	$750,530	$467,730	$457,166
Authority's Covered-Employee Payroll	$599,450	$490,375	$469,300	$539,115
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	161.80%	153.05%	99.67%	84.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

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

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$71,881	$71,934	$58,845	$56,316	$70,085	$55,091	$55,338	$49,722	$45,709	$40,484
Contributions in Relation to the Contractually Required Contribution	($71,881)	($71,934)	($58,845)	($56,316)	($70,085)	($55,091)	($55,338)	($49,722)	($45,709)	($40,484)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$563,773	$599,450	$490,375	$469,300	$539,115	$550,910	$553,380	$552,467	$537,753	$578,343
Pension Contributions as a Percentage of Covered-Employee Payroll	12.75% *	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%

* Contribution rate increased from 12.00% to 13.00% as of January 1, 2017.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF MODERNIZATION COSTS - COMPLETED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

1. Actual Modernization Costs of the Project are as follows:

		OH16P024501-09
Fund Approved	$	617,321
Funds Expended		617,321
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	617,321
Funds Expended		617,321
Excess (Deficiency) of Funds Advanced	$	0

2. Actual Modernization Costs of the Project are as follows:

		OH16P024501-10
Fund Approved	$	628,094
Funds Expended		628,094
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	628,094
Funds Expended		628,094
Excess (Deficiency) of Funds Advanced	$	0

2. All modernization work in connection with the Project has been completed.

3. All modernization costs have been paid and all related liabilities have been discharged through payment

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,006,583	-	205,177	-	313,754	1,525,514		1,525,514
113 Cash - Other Restricted	25,153	-	88,261	-	-	113,414		113,414
114 Cash - Tenant Security Deposits	62,025	-	-	-	-	62,025		62,025
100 Total Cash	1,093,761	-	293,438	-	313,754	1,700,953	-	1,700,953
122 Accounts Receivable - HUD Other Projects	-	-	-	41,635	34,937	76,572		76,572
125 Accounts Receivable - Miscellaneous	14,283	-	-	-	-	14,283		14,283
126 Accounts Receivable - Tenants	45,947	-	-	-	-	45,947		45,947
126.1 Allowance for Doubtful Accounts -Tenants	-22,500	-	-	-	-	-22,500		-22,500
126.2 Allowance for Doubtful Accounts - Other	-7,000	-	-	-	-	-7,000		-7,000
128 Fraud Recovery	-	-	7,335	-	-	7,335		7,335
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-4,500	-	-	-4,500		-4,500
120 Total Receivables, Net of Allowances for Doubtful Accounts	30,730	-	2,835	41,635	34,937	110,137	-	110,137
142 Prepaid Expenses and Other Assets	12,595	-	-	-	2,155	14,750		14,750
143 Inventories	40,101	-	-	-	-	40,101		40,101
144 Inter Program Due From	-	-	-	-	105,438	105,438	-105,438	-
150 Total Current Assets	1,177,187	-	296,273	41,635	456,284	1,971,379	-105,438	1,865,941
161 Land	871,233	-	162,144	226,067	42,044	1,301,488		1,301,488
162 Buildings	21,946,272	-	-	1,512,371	1,420,179	24,878,822		24,878,822
163 Furniture, Equipment & Machinery - Dwellings	151,166	-	-	735	-	151,901		151,901
164 Furniture, Equipment & Machinery - Administration	128,867	-	5,201	-	193,542	327,610		327,610
166 Accumulated Depreciation	-18,051,048	-	-5,201	-860,598	-1,330,922	-20,247,769		-20,247,769
160 Total Capital Assets, Net of Accumulated Depreciation	5,046,490	-	162,144	878,575	324,843	6,412,052	-	6,412,052
180 Total Non-Current Assets	5,046,490	-	162,144	878,575	324,843	6,412,052	-	6,412,052
200 Deferred Outflow of Resources	165,269	-	63,854	-	146,490	375,613		375,613
290 Total Assets and Deferred Outflow of Resources	6,388,946	-	522,271	920,210	927,617	8,759,044	-105,438	8,653,606
312 Accounts Payable <= 90 Days	55,376	-	-	-	7,393	62,769		62,769
321 Accrued Wage/Payroll Taxes Payable	14,044	-	-	-	26,482	40,526		40,526
333 Accounts Payable - Other Government	39,219	-	-	-	-	39,219		39,219
341 Tenant Security Deposits	62,025	-	-	-	-	62,025		62,025
347 Inter Program - Due To	-	-	63,803	41,635	-	105,438	-105,438	-
310 Total Current Liabilities	170,664	-	63,803	41,635	33,875	309,977	-105,438	204,539

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
353 Non-current Liabilities - Other	25,153	-	66,031	-	-	91,184		91,184
354 Accrued Compensated Absences - Non Current	8,659	-	6,980	-	18,746	34,385		34,385
357 Accrued Pension and OPEB Liabilities	425,446	-	167,376	-	377,097	969,919		969,919
350 Total Non-Current Liabilities	459,258	-	240,387	-	395,843	1,095,488	-	1,095,488
300 Total Liabilities	629,922	-	304,190	41,635	429,718	1,405,465	-105,438	1,300,027
400 Deferred Inflow of Resources	5,332	-	2,059	-	4,729	12,120		12,120
508.4 Net Investment in Capital Assets	5,046,490	-	162,144	878,575	324,843	6,412,052		6,412,052
511.4 Restricted Net Position	-	-	22,230	-	-	22,230		22,230
512.4 Unrestricted Net Position	707,202	-	31,648	-	168,327	907,177		907,177
513 Total Equity - Net Assets / Position	5,753,692	-	216,022	878,575	493,170	7,341,459	-	7,341,459
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	6,388,946	-	522,271	920,210	927,617	8,759,044	-105,438	8,653,606

ADAMS METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	756,886	-	-	-	-	756,886		756,886
70400 Tenant Revenue - Other	99,467	-	-	-	-	99,467		99,467
70500 Total Tenant Revenue	856,353	-	-	-	-	856,353	-	856,353
70600 HUD PHA Operating Grants	1,247,355	90,948	3,118,017	-	-	4,456,320		4,456,320
70610 Capital Grants	248,758	-	-	-	-	248,758		248,758
70710 Management Fee	-	-	-	-	363,762	363,762	-363,762	-
70720 Asset Management Fee	-	-	-	-	45,960	45,960	-45,960	-
70730 Book Keeping Fee	-	-	-	-	33,495	33,495	-33,495	-
70740 Front Line Service Fee	-	-	-	-	25,174	25,174	-25,174	-
70700 Total Fee Revenue	-	-	-	-	468,391	468,391	-468,391	-
71100 Investment Income - Unrestricted	182	-	30	-	257	469		469
71400 Fraud Recovery	-	-	9,170	-	-	9,170		9,170
71500 Other Revenue	14,645	-	14,086	-	4,304	33,035		33,035
70000 Total Revenue	2,367,293	90,948	3,141,303	-	472,952	6,072,496	-468,391	5,604,105
91100 Administrative Salaries	66,584	-	103,356	-	201,580	371,520		371,520
91200 Auditing Fees	4,771	-	1,835	-	919	7,525		7,525
91300 Management Fee	293,090	-	70,672	-	-	363,762	-363,762	-
91310 Book-keeping Fee	33,495	-	-	-	-	33,495	-33,495	-
91400 Advertising and Marketing	-	-	-	-	488	488		488
91500 Employee Benefit contributions - Administrative	40,096	-	66,191	-	146,435	252,722		252,722
91600 Office Expenses	68,553	-	26,008	-	66,033	160,594		160,594
91700 Legal Expense	6,105	-	875	-	250	7,230		7,230
91800 Travel	244	-	372	-	2,998	3,614		3,614
91900 Other	28,422	-	44,833	-	36,117	109,372		109,372
91000 Total Operating - Administrative	541,360	-	314,142	-	454,820	1,310,322	-397,257	913,065
92000 Asset Management Fee	45,960	-	-	-	-	45,960	-45,960	-
92100 Tenant Services - Salaries	17,490	57,985	-	-	-	75,475		75,475
92300 Employee Benefit Contributions - Tenant Services	9,207	32,963	-	-	-	42,170		42,170
92500 Total Tenant Services	26,697	90,948	-	-	-	117,645	-	117,645
93100 Water	65,849	-	-	-	576	66,425		66,425
93200 Electricity	183,283	-	-	-	10,516	193,799		193,799
93300 Gas	14,427	-	-	-	1,953	16,380		16,380
93600 Sewer	66,125	-	-	-	410	66,535		66,535
93000 Total Utilities	329,684	-	-	-	13,455	343,139	-	343,139

ADAMS METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	167,128	-	-	-	-	167,128		167,128
94200 Ordinary Maintenance and Operations - Materials and Other	143,890	-	-	-	260	144,150		144,150
94300 Ordinary Maintenance and Operations Contracts	569,579	-	-	-	17,542	587,121	-25,174	561,947
94500 Employee Benefit Contributions - Ordinary Maintenance	100,611	-	-	-	-	100,611		100,611
94000 Total Maintenance	981,208	-	-	-	17,802	999,010	-25,174	973,836
95200 Protective Services - Other Contract Costs	27,211	-	-	-	-	27,211		27,211
95000 Total Protective Services	27,211	-	-	-	-	27,211	-	27,211
96110 Property Insurance	77,046	-	-	-	6,501	83,547		83,547
96130 Workmen's Compensation	5,395	-	-	-	-	5,395		5,395
96100 Total insurance Premiums	82,441	-	-	-	6,501	88,942	-	88,942
96200 Other General Expenses	-	-	6,154	-	-	6,154		6,154
96210 Compensated Absences	-	-	865	-	-	865		865
96300 Payments in Lieu of Taxes	44,900	-	-	-	-	44,900		44,900
96400 Bad debt - Tenant Rents	113,864	-	-	-	-	113,864		113,864
96000 Total Other General Expenses	158,764	-	7,019	-	-	165,783	-	165,783
96900 Total Operating Expenses	2,193,325	90,948	321,161	-	492,578	3,098,012	-468,391	2,629,621
97000 Excess of Operating Revenue over Operating Expenses	173,968	-	2,820,142	-	-19,626	2,974,484	-	2,974,484
97100 Extraordinary Maintenance	93,502	-	-	-	-	93,502		93,502
97200 Casualty Losses - Non-capitalized	1,358	-	-	-	1,500	2,858		2,858
97300 Housing Assistance Payments	-	-	2,821,702	-	-	2,821,702		2,821,702
97400 Depreciation Expense	569,776	-	-	28,869	23,675	622,320		622,320
90000 Total Expenses	2,857,961	90,948	3,142,863	28,869	517,753	6,638,394	-468,391	6,170,003
10010 Operating Transfer In	54,000	-	-	-	-	54,000	-54,000	-
10020 Operating transfer Out	-54,000	-	-	-	-	-54,000	54,000	-
10091 Inter Project Excess Cash Transfer In	177,000	-	-	-	-	177,000	-177,000	-
10092 Inter Project Excess Cash Transfer Out	-177,000	-	-	-	-	-177,000	177,000	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-490,668	-	-1,560	-28,869	-44,801	-565,898	-	-565,898
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-		-

ADAMS METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	8 Other Federal Program 1	COCC	Subtotal	ELIM	Total
11030 Beginning Equity	6,244,360	-	217,582	907,444	537,971	7,907,357		7,907,357
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-		-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-		-
11170 Administrative Fee Equity	-	-	193,792	-	-	193,792		193,792
11180 Housing Assistance Payments Equity	-	-	22,230	-	-	22,230		22,230
11190 Unit Months Available	4,596	-	6,732	-	-	11,328		11,328
11210 Number of Unit Months Leased	4,466	-	6,480	-	-	10,946		10,946

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/ ***Pass Through Grantor/*** Program/Title	**Federal CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs		
PIH Family Self-Sufficiency Program	14.896	$ 90,948
Public and Indian Housing	14.850	1,052,260
Public Housing Capital Fund	14.872	443,853
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,559,009
Total Housing Voucher Program		1,559,009
Total Direct Programs		3,146,070
Total U.S. Department of Housing and Urban Development		3,146,070
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 3,146,070

See accompanying note to the Schedule of Expenditures of Federal Awards.

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Chillicothe Metropolitan Housing Authority under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Chillicothe Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Chillicothe Metropolitan Housing Authority.

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

Expenditures reported on the Schedule are reported on the GAAP basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: **INDIRECT COST RATE**

Chillicothe Metropolitan Housing Authority has elected not to use the 10 percent de-minimis indirect cost rate allowed under the Uniform Guidance.

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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
Chillicothe Metropolitan Housing Authority
Chillicothe, 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 of the Chillicothe Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

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

March 26, 2018

JAMES G. ZUPKA, C.P.A., INC.
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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
Chillicothe Metropolitan Housing Authority
Chillicothe, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on Compliance for Each Major Federal Program

We have audited the Chillicothe 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 Authority's major federal program for the year ended September 30, 2017. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Chillicothe Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on 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 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.

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

March 26, 2018

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2017(v)	Type of Major Programs' Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list): Housing Voucher Cluster: Section 8 Housing Choice Vouchers - CFDA #14.871	
2017(viii)	Dollar Threshold: Type A\B Programs	Type A: $750,000 Type B: All Others
2017(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.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

The prior period 2016 had no findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

Dave Yost • Auditor of State

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

ROSS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2018

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