



Certified Public Accountants, A.C.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
Single Audit
For the Year Ended December 31, 2017**

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Marietta, OH 45750
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Dave Yost • Auditor of State

Board of Commissioners
Fairfield Metropolitan Housing Authority
315 North Columbus Street, Suite 200
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of the Fairfield Metropolitan Housing Authority, Fairfield County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 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 Fairfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 12, 2018

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**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY**

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INDEPENDENT AUDITOR'S REPORT

May 25, 2018

Fairfield Metropolitan Housing Authority
Fairfield County
315 North Columbus St., Suite 200
Lancaster, OH 43130

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Fairfield Metropolitan Housing Authority**, Fairfield County, Ohio (the Authority), as of and for the year ended December 31, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

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...*"bringing more to the table"*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fairfield Metropolitan Housing Authority, Fairfield County as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The supplemental financial data schedule presented on pages 32 through 35 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

The schedules are management's responsibility and derived from and relate to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The Fairfield Metropolitan Housing Authority's (the "Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's basic financial statements.

FINANCIAL HIGHLIGHTS

The Authority's programs for the single enterprise fund are: Housing Choice Voucher Program (HCVP), Family Unification Program (FUP), Veteran Affairs Supportive Housing Program (VASH), Continuum of Care, Family Self-Sufficiency Program, Blended Component Unit, and Other Business Activities (OBA).

- The Authority's net position decreased by \$629,724 (or 12.136%) during 2017. Net position was \$4,559,004 and \$5,188,728 for 2017 and 2016, respectively.
- The revenue decreased by \$969,174 (or 12.636%) during 2017, and was \$6,700,835 and \$7,670,009 for 2017 and 2016, respectively.
- The total expenses decreased by \$244,410 (3.227%). Total expenses were \$7,330,559 and \$7,574,969 for 2017 and 2016, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of these financial statements:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the Authority.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position ("Unrestricted") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted". This account resembles the old operating reserves account.

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, investing activities, and from capital and related financing activities.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Family Unification Program (FUP) – This Program provides Section 8 rental assistance to families eligible for the Housing Choice Voucher program and whose lack of adequate housing has been determined from the local public welfare agency as the primary reason that the family's child(ren) may be placed in out-of-home care.

Veteran Affairs Supportive Housing Program (VASH) – This Program provides Section 8 rental assistance to homeless Veterans eligible for the Housing Choice Voucher program along with supportive services provided by the Department of Veteran Affairs (VA) to the participants. VA provides these services at VA medical centers (VAMCs) and community-based outreach clinics.

Continuum of Care Grant – This Grant provides Tenant-based rental assistance under the Continuum of Care Homeless Assistance Program along with supportive services to the participants. A second grant was funded for participants and their families.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Family Self-Sufficiency – This program promotes the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher Program with public and private sources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, make progress toward economic independence and self-sufficiency.

Blended Component Unit – Dragonfly Dreams Housing Corporation (DDHC), an Ohio non-profit corporation, is a component unit of the authority and is organized for the purpose of providing affordable housing to tenants through an AHAP contract. The Authority acts as a managing agent for the DDHC and performs all financial and operating functions for the DDHC and receives a management fee for services rendered.

Other Business Activity (OBA) – Represents activities of the authority that include providing affordable housing for low-income people outside of the scope of the conventional and housing choice voucher programs and includes properties transferred to the Authority in 2007 from Lancaster Community Housing Corporation (Non-profit organization). This account also represents activity of the non-profit organization, legally named Fairfield Housing, Inc. which was defined by resolution during 2009 as an instrumentality of the Authority, and of the managing agent. Activity will be listed as an OBA for FDS purposes.

In 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

STATEMENT OF NET POSITION

The following table reflects the condensed Statement of Net Position compared to prior year.

**TABLE 1
STATEMENT OF NET POSITION**

	2017	2016
Current assets and Deferred Outflows	\$ 2,089,335	\$ 2,687,326
Capital assets	3,772,934	4,160,353
TOTAL ASSETS AND DEFERRED OUTFLOWS	5,862,269	6,847,679
 Current liabilities	 181,293	 753,396
Noncurrent liabilities and Deferred Inflows	1,121,972	905,555
TOTAL LIABILITIES AND DEFERRED INFLOWS	1,303,265	1,658,951
 Net Position:		
Net investment in capital assets	3,772,934	4,160,353
Restricted	-	350,588
Unrestricted	786,070	677,787
TOTAL NET POSITION	\$ 4,559,004	\$ 5,188,728

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets decreased by \$686,935 including the use of HAP and administrative subsidy received in the prior December for January 2017 in the amount of \$545,743 and the use of Restricted reserves of \$350,588 for HAP. During 2017, the unrestricted reserve fund for Section 8 was increased by \$43,711. The capital replacement reserve fund for DDHC was increased by \$89,302 and the operating reserve increased by \$55,898. The reserve funds in the Other Business Activity increased by \$61,859. All included in the majority of the decrease in current assets. The changes to the reserves along with a decrease of \$142,487 to the net pension position make up the decrease of \$242,305 to the net position. Deferred outflows increased by \$88,944. Current Liabilities decreases include deferred revenue of \$545,743 as noted for Section 8, HAP and Administrative subsidies and other decreases of \$26,360. Non-current liabilities increased by \$184,550 for the net pension liability and other decreases of \$15,014 while deferred inflows increased by \$46,881. Net invested in capital assets changes can be analyzed from Table 4 of the MD&A.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The following schedule compares the revenues and expenses for the current and previous year.

	<u>2017</u>	<u>2016</u>
Revenues		
Tenant Revenue - Rents and Other	\$ 210,017	\$ 235,897
Operating Subsidies and Grants	6,397,464	7,307,242
Investment Income/Other Revenue	93,354	126,870
TOTAL REVENUE	<u>6,700,835</u>	<u>7,670,009</u>
Expenses		
Administrative	856,032	803,808
Tenant Services	110,072	139,915
Utilities	23,906	23,851
Maintenance	229,988	210,162
Insurance	29,735	30,827
Payment in Lieu Of Taxes	14,699	16,277
Housing Assistance Payment	5,575,702	5,767,671
Depreciation	391,139	427,614
Casualty Losses	6,507	-
Other General Expenses	52,802	67,784
Bad Debt/Fraud Losses	39,977	87,060
TOTAL EXPENSES	<u>7,330,559</u>	<u>7,574,969</u>
CHANGE IN NET POSITION	<u>\$ (629,724)</u>	<u>\$ 95,040</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Total Revenues decreased by \$969,174. In 2017, the Authority received \$909,778 less in HAP and operating subsidies and had decreases in rents of \$25,880 and fraud recovery of \$33,616 and an increase in other revenue of \$100.

Total expenses net decrease of \$244,410 is mostly due to the decrease in HAP of \$191,969 and Bad Debt/Fraud Losses of \$47,083 and increases to Administrative expenses of \$52,224 including net GASB 68 pension expenses increase for 2017 of \$97,490 after measurement date less decrease of \$45,266 for rest of Administrative expenses. All other expenses had a net decrease of \$57,582.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had \$3,772,934 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$387,419.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2017	2016
Land and Land Rights	\$ 994,621	\$ 994,621
Buildings	10,532,590	10,528,870
Equipment - Administrative	351,155	351,155
Equipment - Dwellings	87,781	87,781
Leasehold Improvements	321,100	321,100
Accumulated Depreciation	(8,514,313)	(8,123,174)
TOTAL	\$ 3,772,934	\$ 4,160,353

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE – NET	\$ 4,160,353
Additions – Section 8	-
Additions – OBA	3,720
Additions – Component Unit	-
Depreciation Expense	(391,139)
ENDING BALANCE	\$ 3,772,934
Depreciation Expense - Section 8	\$ 7,790
Depreciation Expense - OBA	43,295
Depreciation Expenses – Component Unit	340,054
TOTAL DEPRECIATION	\$ 391,139

DEBT ADMINISTRATION

During the year the Authority had no debt (bonds, notes, etc.) outstanding.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding levels of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Market rates for rental housing

IN CONCLUSION

Fairfield Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Heather Cagg, Executive Director of the Fairfield Metropolitan Housing Authority at (740) 653-6618.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 1,438,076
Restricted Cash and Cash Equivalents	109,263
Investments	25,461
Accounts Receivable, Net of allowance	71,018
Inventories, Net of Allowance	10,860
Prepaid Expenses and Other Assets	<u>33,279</u>
Total Current Assets	<u>1,687,957</u>

Capital Assets:	
Nondepreciable Capital Assets	994,621
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>2,778,313</u>
Total Capital Assets	<u>3,772,934</u>

Deferred Outflows of Resources

Pension	<u>401,378</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 5,862,269</u>
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Liabilities

Current Liabilities:	
Account Payables	\$ 16,902
Intergovernmental Payable	37,618
Accrued Liabilities	34,855
Current Portion of Compensated Absences	34,449
Tenant Security Deposits	48,191
Current FSS Liability	8,661
Unearned Revenue	<u>617</u>
Total Current Liabilities	<u>181,293</u>

Noncurrent Liabilities:	
FSS Liability	30,213
Accrued Net Pension Liability	<u>1,005,751</u>
Total Noncurrent Liabilities	<u>1,035,964</u>

Total Liabilities	<u>1,217,257</u>
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Deferred Inflows of Resources

Pension	<u>86,008</u>
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Net Position:

Net Investment in Capital Assets	3,772,934
Unrestricted	<u>786,070</u>

Total Net Position	<u>4,559,004</u>
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Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,862,269</u>
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See accompanying notes to the basic financial statements.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues:	
Tenant Rental Revenue	\$ 210,017
HUD PHA Operating Grants	6,397,464
Other Revenue	<u>90,110</u>
Total Operating Revenues	<u>6,697,591</u>
Operating Expenses:	
Administrative	856,032
Tenant Services	110,072
Utilities	23,906
Maintenance	229,988
Insurance	29,735
Payment in Lieu of Taxes	14,699
Housing Assistance Payments	5,575,702
Bad Debt/Fraud Loss	39,977
Depreciation	391,139
Casualty Losses	6,507
Other General	<u>52,802</u>
Total Operating Expenses	<u>7,330,559</u>
Operating Income (Loss)	(632,968)
Other Non-Operating Revenues:	
Investment Income	<u>3,244</u>
Total Non-Operating Revenues	<u>3,244</u>
Change in Net Position	(629,724)
Net Position, Beginning of the Year	<u>5,188,728</u>
Net Position, End of Year	<u>\$ 4,559,004</u>

See accompanying notes to the basic financial statements.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from HUD	\$ 5,810,044
Cash Received from Tenants	211,806
Cash Received from Other Revenue	91,608
Cash Payments for Housing Assistance Payments	(5,575,702)
Cash Payments for Other Operating Expenses	(1,230,422)
Cash Payments to Other Governments	(15,556)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(708,222)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(3,720)
NET CASH (USED IN) CAPITAL AND RELATED ACTIVITIES	<u>(3,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale of Investments	106,181
Investment Income	3,244
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>109,425</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(602,517)
Cash and Cash Equivalents at Beginning of Year	<u>2,149,856</u>
Cash and Cash Equivalent at End of Year	<u>\$ 1,547,339</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (632,968)
Adjustments:	
Depreciation	391,139
Non Cash Benefit Expense (GASB 68)	142,487
(Increases) Decreases in:	
Accounts Receivable, Net of allowance	(20,236)
Inventories, Net of allowance	(1,171)
Prepaid Expenses and Other Assets	(356)
Increases (Decrease) in:	
Accounts Payable	4,338
Accrued Liabilities	(2,338)
Accrued Compensated Absences	(10,730)
Intergovernmental Payable	(22,217)
Tenant Security Deposits	2,589
FSS Liability	(13,633)
Unearned Revenue	(545,126)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (708,222)</u>

See accompanying notes to the basic financial statements

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
FAIRFIELD COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The 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 basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, as amended by GASB Statement 61, 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 consist 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 whether 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 or, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organizations.

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

Component Unit

The accompanying financial statements present the Dragonfly Dreams Housing Corporation, a component unit of the Authority, over which the Authority exercises significant control, as a blended entity.

The Dragonfly Dreams Housing Corporation (the Corporation) is a not-for-profit corporation and has the recognition of exempt status under the IRS section 501c(3). The Corporation was created by the Authority to hold ownership of the previous Public Housing portfolio converted through the Rental Assistance Demonstration (RAD) to Section 8, with project-based funding administered by the Authority's Housing Choice Voucher Program. The Board Members of the Corporation consist of the same board members of the Authority.

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
FAIRFIELD COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic of Presentation

The Authority's basic 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.

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flow. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenditures and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

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

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

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

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes family's rents through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30% and the Authority subsidizes the balance.

Family Unification Program (FUP) – This Program provides Section 8 rental assistance to families eligible for the Housing Choice Voucher program and whose lack of adequate housing has been determined from the local public welfare agency as the primary reason the family's child(ren) may be placed in out-of-home care.

Veteran Affairs Supportive Housing (VASH) - This Program provides Section 8 rental assistance to homeless Veterans eligible for the Housing Choice Voucher program along with supportive services provided by the Department of Veteran Affairs (VA) to the participates. VA provides these services at VA medical centers(VAMCs) and community-based outreach clinics.

Continuum of Care Grant (COC) – This grant provides Tenant-based rental assistance under the Continuum of Care Homeless Assistance Program along with supportive-services to the participants. A second grant was funded for participates and their families.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Enterprise Fund - Continued

Family Self-Sufficiency(FSS) – A grant funded by HUD that is intended to enable Housing Choice Voucher participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance and make progress toward economic independence and self-sufficiency.

Other Business Activity (OBA) – Represents activities of the Authority that include providing affordable housing for low-income people outside of the scope of the Conventional and Housing Choice Voucher Programs and includes properties transferred to the Authority in 2007 from Lancaster Community Housing Corporation renamed Fairfield Housing Incorporation (Non-Profit organization) in 2009 whose activity is also included. Effective November 1, 2015, the Authority entered into a management agreement with the Dragonfly Dreams Housing Corporation as exclusive managing and leasing agent for the RAD (PBV) units whose activity is included.

Accounting and Reporting for Non-exchange Transactions

Non-exchange transactions occur when the Public Housing Authority (Authority) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of non-exchange transactions as follows:

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

Authority grants and subsidies will be defined as government-mandated or voluntary non-exchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting and Reporting for Non-exchange Transactions - Continued

The Authority will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received, whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The Authority will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, Authorities should record resources received prior to that period as deferred inflows of revenue and the provider of those resources would record an advance.

The Authority received government-mandated or voluntary non-exchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Unearned Revenue

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid Expenses

Payments made to vendors for services that will benefit beyond December 31, 2016, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Investments

Investments are restricted by the provisions of the HUD Regulations (see Note 2). Investments are valued at market value. Interest income earned in fiscal year 2017 for all programs totaled \$3,244. Certificates of deposits with maturities greater than three months are considered investments.

Capital Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the asset. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is \$2,000. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – nonresidential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
FAIRFIELD COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

Cash and Cash Equivalents

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employee if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

The following is a summary of changes in compensated absences for the year ended December 31, 2017:

	Balance <u>12/31/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/17</u>	Due Within <u>One Year</u>
Compensated Absences Payable	<u>\$ 45,179</u>	<u>\$ 58,937</u>	<u>\$ (69,667)</u>	<u>\$ 34,449</u>	<u>\$ 34,449</u>

Budgetary Accounting

The Authority annually prepares its budget as prescribed by HUD. This budget is submitted to HUD and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 receivables was \$1,570 at December 31, 2017.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,207 at December 31, 2017.

Due to/Due from Programs

These are eliminated for the basic financial statement.

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 investments 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 outflow of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position. The deferred outflows of resources related to pension are explained in Note 4.

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 statement of net position. The deferred inflows of resources related to pension are explained in Note 4.

2. DEPOSITS AND INVESTMENTS

Deposits

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

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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2. DEPOSIT AND INVESTMENTS - CONTINUED

Deposit – Continued

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in a single financial institution collateral pool 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 Bank in the name of the Authority.

As of December 31, 2017 the carrying amount of the Authority's deposits totaled \$1,572,799 and its bank balance was \$1,614,445. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, \$287,773 was exposed to custodial risk as discussed above while \$1,326,672 was covered by Federal Deposit Insurance Corporation.

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposits, repurchase agreements, money market deposits accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A included investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name.

The Authority's non-negotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB Statement No. 3 purposes. Therefore, the categories described above do not apply.

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
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3. CAPITAL ASSETS

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Nondepreciable Capital Assets:				
Land	\$ 994,621	\$ -	\$ -	\$ 994,621
Nondepreciable Capital Assets:	<u>994,621</u>	<u>-</u>	<u>-</u>	<u>994,621</u>
Depreciable Capital Assets:				
Building and Improvements	10,849,964	3,720	-	10,853,684
Furniture and Equipment	438,942	-	-	438,942
Less: Accumulated Depreciation	<u>(8,123,174)</u>	<u>(391,139)</u>	<u>-</u>	<u>(8,514,313)</u>
Total Depreciable Capital Assets, Net	<u>3,165,732</u>	<u>(387,419)</u>	<u>-</u>	<u>2,778,313</u>
Total Capital Assets	<u>\$ 4,160,353</u>	<u>\$ (387,419)</u>	<u>\$ -</u>	<u>\$ 3,772,934</u>
Depreciation Expense by Class:				
Building and Improvements	\$ 380,672			
Furniture and Fixtures	<u>10,467</u>			
Total Depreciation Expense	<u>\$ 391,139</u>			

4. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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.

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4. DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Liability - Continued

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 - OPERS is a cost sharing, multiple-employer public employee retirement system that provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPER's fiduciary net position. That report can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, by calling (800) 222-7377, or by visiting the OPERS Web site at www.opers.org.

The Authority participates in OPERS, a cost-sharing, multiple-employer public employee retirement system administrated by the Public Employee Retirement Board. OPERS administers three retirement plans, as described below:

- a. The Traditional Pension Plan – a cost-sharing, multiple employer defined benefit pension plan.
- b. The Member-Directed Plan – a defined benefit contribution plan in which the member invest both member and employer contributions (employer contributions vest over five years at 20 percent per year.) Under the Member-Directed plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- c. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

Pension Benefits – All benefits of the System, and any benefit increases, are established by legislature pursuant to Ohio Revised code chapter 145. The Board, pursuant to ORC Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

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. Members who were eligible to retire under law in effect prior to SB343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have twenty years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired after January 7, 2013.

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4. DEFINED BENEFIT PENSION PLAN - CONTINUED

Plan Description – Ohio Public Employees Retirement System (OPERS) – Continued

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service. Group C is for members eligible for retirement at age 57 with 25 years of service or age 62 with 5 years of service. For Group A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. 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. Refer to the age-and-service tables located in the OPERS 2015 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0 percent to the member's FAS for the first 30 years of service. A factor of 1.25 percent is applied to years in excess of 30. The benefit formula for transition Group C applies a factor of 1.0 percent to the member's FAS and the first 35 years of service and a factor of 1.25 percent is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contribution plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and the defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the member's contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Survivor Benefits – Dependents of deceased members who participate in either the Traditional Pension Plan or Combined Plan may qualify for survivor benefits.

Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

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4. DEFINED BENEFIT PENSION PLAN - CONTINUED

Plan Description – Ohio Public Employees Retirement System (OPERS) – Continued

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contribution rates were approved based upon the recommendations of the System’s external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

For 2017, member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determined the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

Plan members were required to contribute 10 percent of their annual covered salary. The Authority was required to contribute 14 percent, a portion of which is set aside for funding post-retirement health care coverage. The Authority’s contractually required contributions to OPERS for 2017 was \$73,149 for the Traditional Plan. Total contractually required contributions, including contributions for post-retirement health care, was \$88,065. The amount was contributed during 2017.

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

The net pension liability for OPERS 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 proportionate share and pension expense:

	<u>Traditional Plan</u>
Proportionate of the Net Pension Liability/Asset	
-Prior Measurement Date	0.004741%
Proportionate of the Net Pension Liability/Asset	
-Current Measurement Date	<u>0.004429%</u>
Change in Proportionate Share	<u>-0.000312%</u>
Proportionate Share of Net Pension Liability/Asset	\$ 1,005,751
Pension Expense	\$ 142,487

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional Plan</u>
Deferred Outflows of Resources	
Net Difference between Projected and actual Earnings on Pension Plan Investments	\$ 167,341
Changes of Assumptions	159,524
Difference between expected and actual experience	1,363
Authority’s Contribution Subsequent to the Measurement Date	<u>73,149</u>
Total Deferred Outflows of Resources	<u>\$ 401,378</u>

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
FAIRFIELD COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. DEFINED BENEFIT PENSION PLAN - CONTINUED

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

Deferred Inflows of Resources

Difference between Expected and Actual Experience	\$ 23,547
Change in proportion and differences between Authority contributions and proportionate share of contributions	<u>62,461</u>
Total Deferred Inflows and Resources	<u>\$ 86,008</u>

\$73,149 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 December 31, 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:

	<u>Traditional Plan</u>
Year Ending December 31:	
2018	\$ 125,675
2019	130,153
2020	53,245
2021	(4,390)
2022	-
Thereafter	-
Total	<u>\$ 304,683</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 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:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation
Investment Rate of Return	Pre 1/7/2013 retirees: 3 percent simple
Actuarial Cost Method	Post 1/7/2013 retirees; 3 percent simple through 2018, then 2.15 percent, simple 7.5 percent Individual Entity Age

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
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4. DEFINED BENEFIT PENSION PLAN - CONTINUED

Actuarial Assumptions – OPERS - Continued

The total pension assets in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees: 3 percent simple Post 1/7/2013 retirees; 3 percent simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entity 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 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 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 observant 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 assets was determined using a building-block method in which best-estimate ranges of expected future real rate of return are developed for each major class. These ranges are combined to produce 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 investment expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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:

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
FAIRFIELD COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2017**

4. DEFINED BENEFIT PENSION PLAN - CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flow 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:

<u>Traditional Plan</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Authority's proportionate share Of the net pension liability (asset)	\$1,536,510	\$1,005,751	\$ 563,458

5. POST-EMPLOYMENT BENEFITS

A. Plan Description

The 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement 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. OPERS funds a Retire Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
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FOR THE YEAR ENDED DECEMBER 31, 2017**

5. POST-EMPLOYMENT BENEFITS - CONTINUED

In order to qualify for post-employment 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 2015 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 the health care coverage is provided 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, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

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 14.00% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund healthcare.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 1.0% during calendar year 2017 as recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS 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 RMA for participants in the Member-Directed Plan for 2017 was 4.0%. The portion of actual Authority contributions for the years ended December 31, 2017, 2016 and 2015, which were used by OPERS to fund post-employment benefits, were \$8,281, \$12,874, \$13,238, respectively.

6. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage's and no settlements exceeded insurance coverage during the past three years.

7. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2017, the Authority electronically submitted an unaudited version of the statement of net position, statement of revenues, expenses and changes in net position and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by HUD.

**FAIRFIELD METROPOLIAN HOUSING AUTHORITY
FAIRFIELD COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost in 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 recapture amounts would not have a material adverse effect on the overall financial position at December 31, 2017.

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2017, the Authority was not aware of any such matters that would have a material effect on the financial statements.

9. LONG-TERM LIABILITIES

The change in Authority's long-term obligations during 2017 were as follows:

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/17</u>	Due Within <u>One Year</u>
Net Pension Liability	<u>\$ 821,201</u>	<u>\$ 184,550</u>	<u>\$ -</u>	<u>\$1,005,751</u>	<u>\$ -</u>

See Notes 2 and 4 for information on the Authority's net pension expense.

Required Supplemental Information

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

Traditional Plan	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability – Traditional	0.004429%	0.004741%	0.004941%	0.004941%
Authority's Proportionate Share of the Net Pension Liability	\$1,005,751	\$ 821,201	\$ 595,941	\$ 582,480
Authority's Covered Payroll	\$ 592,100	\$ 597,623	\$ 612,261	\$ 764,531
Authority's Proportionate share of the Net Pension Liability As a Percentage of its covered Employee Payroll	169.86%	138.69%	99.72%	95.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.2%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Contractually Required Contributions</u>										
Traditional Plan	\$ 73,149	71,052	71,715	73,471	99,389	[1]	[1]	[1]	[1]	[1]
Total Required Contributions	\$ 73,149	71,052	71,715	73,471	99,389	114,735	106,537	93,738	96,640	70,465
Required Contributions	<u>(73,149)</u>	<u>(71,052)</u>	<u>(71,715)</u>	<u>(73,471)</u>	<u>(99,389)</u>	<u>(114,735)</u>	<u>(106,537)</u>	<u>(93,738)</u>	<u>(96,640)</u>	<u>(70,465)</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Authority's Covered Payroll</u>										
Traditional	\$ 562,685	592,100	597,623	612,261	764,531	[1]	[1]	[1]	[1]	[1]
<u>Contributions as a Percentage of Covered Payroll</u>										
Traditional	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	9.00%	9.00%	8.50%	7.00%

[1] – Information prior to 2013 is not available for classification of OPERS contribution of OPERS contribution by plan. Total contributions reported include any amounts contributed to the Member-Directed plan and other post-employment benefits in addition to the Traditional plan.

Supplemental Information

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
FDS SCHEDULE
DECEMBER 31, 2017

	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	14.267 Continuum of Care Program	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$435,453	\$723,405	\$279,218		\$1,438,076		\$1,438,076
113 Cash - Other Restricted		\$30,213				\$30,213		\$30,213
114 Cash - Tenant Security Deposits				\$48,191		\$48,191		\$48,191
115 Cash - Restricted for Payment of Current Liabilities		\$30,859				\$30,859		\$30,859
100 Total Cash	\$0	\$496,525	\$723,405	\$327,409	\$0	\$1,547,339	\$0	\$1,547,339
122 Accounts Receivable - HUD Other Projects		\$45,467				\$45,467		\$45,467
124 Accounts Receivable - Other Government				\$669		\$669		\$669
126 Accounts Receivable - Tenants			\$3,067	\$1,286		\$4,353		\$4,353
126.1 Allowance for Doubtful Accounts - Tenants			-\$1,444	-\$126		-\$1,570		-\$1,570
128 Fraud Recovery		\$208,853				\$208,853		\$208,853
128.1 Allowance for Doubtful Accounts - Fraud		-\$186,775				-\$186,775		-\$186,775
129 Accrued Interest Receivable				\$21		\$21		\$21
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$67,545	\$1,623	\$1,850	\$0	\$71,018	\$0	\$71,018
131 Investments - Unrestricted				\$25,461		\$25,461		\$25,461
142 Prepaid Expenses and Other Assets		\$8,426		\$24,853		\$33,279		\$33,279
143 Inventories				\$12,067		\$12,067		\$12,067
143.1 Allowance for Obsolete Inventories				-\$1,207		-\$1,207		-\$1,207
144 Inter Program Due From			\$931			\$931	-\$931	\$0
150 Total Current Assets	\$0	\$572,496	\$725,959	\$390,433	\$0	\$1,688,888	-\$931	\$1,687,957
161 Land			\$870,931	\$123,690		\$994,621		\$994,621
162 Buildings			\$9,250,146	\$1,282,444		\$10,532,590		\$10,532,590
163 Furniture, Equipment & Machinery - Dwellings				\$87,781		\$87,781		\$87,781
164 Furniture, Equipment & Machinery - Administration		\$172,555		\$178,600		\$351,155		\$351,155
165 Leasehold Improvements			\$234,207	\$86,893		\$321,100		\$321,100
166 Accumulated Depreciation		-\$154,152	-\$7,520,168	-\$839,993		-\$8,514,313		-\$8,514,313
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$18,403	\$2,835,116	\$919,415	\$0	\$3,772,934	\$0	\$3,772,934
180 Total Non-Current Assets	\$0	\$18,403	\$2,835,116	\$919,415	\$0	\$3,772,934	\$0	\$3,772,934
200 Deferred Outflow of Resources		\$263,621		\$137,757		\$401,378		\$401,378
290 Total Assets and Deferred Outflow of Resources	\$0	\$854,520	\$3,561,075	\$1,447,605	\$0	\$5,863,200	-\$931	\$5,862,269

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
FDS SCHEDULE
DECEMBER 31, 2017**

	14,896 PIH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	14,267 Continuum of Care Program	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days		\$10,603		\$6,299		\$16,902		\$16,902
321 Accrued Wage/Payroll Taxes Payable		\$20,095		\$6,866		\$26,961		\$26,961
322 Accrued Compensated Absences - Current Portion		\$23,851		\$10,598		\$34,449		\$34,449
331 Accounts Payable - HUD PHA Programs		\$22,198				\$22,198		\$22,198
333 Accounts Payable - Other Government		\$721		\$14,699		\$15,420		\$15,420
341 Tenant Security Deposits				\$48,191		\$48,191		\$48,191
342 Unearned Revenue				\$617		\$617		\$617
345 Other Current Liabilities		\$8,661				\$8,661		\$8,661
346 Accrued Liabilities - Other		\$7,894				\$7,894		\$7,894
347 Inter Program - Due To				\$931		\$931	-\$931	\$0
310 Total Current Liabilities	\$0	\$94,023	\$0	\$88,201	\$0	\$182,224	-\$931	\$181,293
353 Non-current Liabilities - Other		\$30,213				\$30,213		\$30,213
357 Accrued Pension and OPEB Liabilities		\$630,275		\$375,476		\$1,005,751		\$1,005,751
350 Total Non-Current Liabilities	\$0	\$660,488	\$0	\$375,476	\$0	\$1,035,964	\$0	\$1,035,964
300 Total Liabilities	\$0	\$754,511	\$0	\$463,677	\$0	\$1,218,188	-\$931	\$1,217,257
400 Deferred Inflow of Resources		\$57,544		\$28,464		\$86,008		\$86,008
508.4 Net Investment in Capital Assets	\$0	\$18,403	\$2,835,116	\$919,415		\$3,772,934		\$3,772,934
511.4 Restricted Net Position	\$0	\$0		\$0		\$0		\$0
512.4 Unrestricted Net Position	\$0	\$24,062	\$725,959	\$36,049	\$0	\$786,070		\$786,070
513 Total Equity - Net Assets / Position	\$0	\$42,465	\$3,561,075	\$955,464	\$0	\$4,559,004	\$0	\$4,559,004
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$854,520	\$3,561,075	\$1,447,605	\$0	\$5,863,200	-\$931	\$5,862,269

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
FDS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	14.267 Continuum of Care Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$144,256	\$46,050		\$190,306		\$190,306
70400 Tenant Revenue - Other			\$19,218	\$493		\$19,711		\$19,711
70500 Total Tenant Revenue	\$0	\$0	\$163,474	\$46,543	\$0	\$210,017	\$0	\$210,017
70600 HUD PHA Operating Grants	\$109,225	\$5,941,849			\$346,390	\$6,397,464		\$6,397,464
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants			\$477,553			\$477,553	-\$477,553	\$0
71100 Investment Income - Unrestricted		\$2,096	\$1,078	\$70		\$3,244		\$3,244
71400 Fraud Recovery		\$74,148				\$74,148		\$74,148
71500 Other Revenue	\$806	\$8,999	\$350	\$499,476		\$509,631	-\$493,669	\$15,962
70000 Total Revenue	\$110,031	\$6,027,092	\$642,455	\$546,089	\$346,390	\$7,672,057	-\$971,222	\$6,700,835
91100 Administrative Salaries		\$322,512		\$94,984	\$2,154	\$419,650		\$419,650
91200 Auditing Fees		\$5,483		\$2,418		\$7,901		\$7,901
91300 Management Fee			\$55,296			\$55,296	-\$55,296	\$0
91400 Advertising and Marketing				\$139		\$139		\$139
91500 Employee Benefit contributions - Administrative		\$201,548		\$74,013	\$1,309	\$276,870		\$276,870
91600 Office Expenses		\$94,777		\$38,951		\$133,728		\$133,728
91700 Legal Expense		\$3,787		\$8,812		\$12,599		\$12,599
91800 Travel		\$2,098		\$200		\$2,298		\$2,298
91810 Allocated Overhead								
91900 Other		\$2,572		\$275		\$2,847		\$2,847
91000 Total Operating - Administrative	\$0	\$632,777	\$55,296	\$219,792	\$3,463	\$911,328	-\$55,296	\$856,032
92100 Tenant Services - Salaries	\$81,682					\$81,682		\$81,682
92300 Employee Benefit Contributions - Tenant Services	\$28,349					\$28,349		\$28,349
92400 Tenant Services - Other				\$41		\$41		\$41
92500 Total Tenant Services	\$110,031	\$0	\$0	\$41	\$0	\$110,072	\$0	\$110,072
93100 Water		\$1,236		\$2,664		\$3,900		\$3,900
93200 Electricity		\$5,780		\$7,835		\$13,615		\$13,615
93300 Gas		\$1,490		\$2,244		\$3,734		\$3,734
93600 Sewer		\$434				\$2,657		\$2,657
93000 Total Utilities	\$0	\$8,940	\$0	\$14,966	\$0	\$23,906	\$0	\$23,906
94100 Ordinary Maintenance and Operations - Labor				\$96,788		\$96,788		\$96,788
94200 Ordinary Maintenance and Operations - Materials and Other				\$45,047		\$45,047		\$45,047
94300 Ordinary Maintenance and Operations Contracts				\$54,195		\$54,195		\$54,195
94500 Employee Benefit Contributions - Ordinary Maintenance				\$33,958		\$33,958		\$33,958
94000 Total Maintenance	\$0	\$0	\$0	\$229,988	\$0	\$229,988	\$0	\$229,988

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
FDS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	14.267 Continuum of Care Program	Subtotal	ELIM	Total
96110 Property Insurance				\$17,439		\$17,439		\$17,439
96120 Liability Insurance		\$1,978		\$5,309		\$7,287		\$7,287
96130 Workmen's Compensation		\$3,060		\$1,949		\$5,009		\$5,009
96140 All Other Insurance								
96100 Total Insurance Premiums	\$0	\$5,038	\$0	\$24,697	\$0	\$29,735	\$0	\$29,735
96200 Other General Expenses			\$438,373	\$282		\$438,655	-\$438,373	\$282
96210 Compensated Absences		\$34,234		\$18,286		\$52,520		\$52,520
96300 Payments in Lieu of Taxes				\$14,699		\$14,699		\$14,699
96400 Bad debt - Tenant Rents			\$564	\$100		\$664		\$664
96600 Bad debt - Other		\$35,822	\$3,022	\$469		\$39,313		\$39,313
96000 Total Other General Expenses	\$0	\$70,056	\$441,959	\$33,836	\$0	\$545,851	-\$438,373	\$107,478
96900 Total Operating Expenses	\$110,031	\$716,811	\$497,255	\$523,320	\$3,463	\$1,850,880	-\$493,669	\$1,357,211
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$5,310,281	\$145,200	\$22,769	\$342,927	\$5,821,177	-\$477,553	\$5,343,624
97200 Casualty Losses - Non-capitalized				\$6,507		\$6,507		\$6,507
97300 Housing Assistance Payments		\$5,710,328			\$342,927	\$6,053,255	-\$477,553	\$5,575,702
97400 Depreciation Expense		\$7,790	\$340,054	\$43,295		\$391,139		\$391,139
90000 Total Expenses	\$110,031	\$6,434,929	\$837,309	\$573,122	\$346,390	\$8,301,781	-\$971,222	\$7,330,559
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	-\$407,837	-\$194,854	\$27,033	\$0	-\$629,724	\$0	-\$629,724
11030 Beginning Equity	\$0	\$450,302	\$3,755,929	\$982,497	\$0	\$5,188,728		\$5,188,728
11170 Administrative Fee Equity		\$42,465				\$42,465		\$42,465
11180 Housing Assistance Payments Equity		\$0				\$0		\$0
11190 Unit Months Available		13272	1152	1248	660	16332	-2304	14028
11210 Number of Unit Months Leased		12217	1141	1228	591	15177	-2282	12895

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**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Direct from the agency:</i>		
Housing Choice Voucher	14.871	5,941,849
Continuum of Care	14.267	346,390
PIH Family Self-Sufficiency Program	14.896	<u>109,225</u>
Total U.S. Department of Housing and Urban Development		<u>6,397,464</u>
Total Federal Awards Expenditures		<u>\$ 6,397,464</u>

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Fairfield Metropolitan Housing Authority, Fairfield County, Ohio (the Authority) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule has been prepared 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 the Authority, it is not intended to and does not present the financial position, change in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule had been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with 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). Therefore, some amounts represented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

May 25, 2018

Fairfield Metropolitan Housing Authority
Fairfield County
315 North Columbus St., Suite 200
Lancaster, OH 43130

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Fairfield Metropolitan Housing Authority**, Fairfield County, (the Authority) as of and for the year ended December 31, 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 May 25, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 25, 2018.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
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Marietta, Ohio



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

May 25, 2018

Fairfield Metropolitan Housing Authority
Fairfield County
315 North Columbus St., Suite 200
Lancaster, OH 43130

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Fairfield Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could directly and materially affect the Fairfield Metropolitan Housing Authority's major federal program for the year ended December 31, 2017. The Summary of Audit Results in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

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Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
FAIRFIELD COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2017**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

1. SUMMARY OF AUDIT RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Housing Choice Vouchers CFDA #14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

FAIRFIELD COUNTY METROPOLITAN HOUSING AUTHORITY

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2018**