

**PICKAWAY METROPOLITAN
HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

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



Dave Yost • Auditor of State

Board of Commissioners
Pickaway Metropolitan Housing Authority
176 Rustic Drive
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the Pickaway Metropolitan Housing Authority, Pickaway County, prepared by James G. Zupka, CPA, Inc., 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 Pickaway 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

September 18, 2018

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PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Pickaway Metropolitan Housing Authority
Circleville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pickaway Metropolitan Housing Authority, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pickaway Metropolitan Housing Authority as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

June 26, 2018

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

It is a privilege to present for you the financial picture of Pickaway Metropolitan Housing Authority. The Pickaway 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 financial statements.

FINANCIAL HIGHLIGHTS

- The net position decreased by \$591,156 (or 13.41%) during 2017, and was \$3,817,885 and \$4,409,041 for 2017 and 2016, respectively.
- The revenue decreased by \$878,537 (or 17.61%) during 2017, and was \$4,111,334 and \$4,989,871 for 2017 and 2016, respectively.
- The total expenses decreased by \$492,488 (or 9.48%) during 2017. Total expenses were \$4,702,490 and \$5,194,978 for 2017 and 2016, respectively.

FINANCIAL STATEMENTS

The 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 (formerly known as Statement of Net Assets), 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 and deferred outflows of resources, minus liabilities and deferred inflows of resources, 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 is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets net of depreciation and 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 Net Position: 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 Net Position: Consists of Net Position that does not meet the definition of “Net Investments in Capital Assets”, or “Restricted Net Position”. This account resembles the old operating reserves account.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

The 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, and 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 Fund 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 by operating activities, non-capital financing activities, and capital and related financing activities.

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

Projects (PH & CF) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority’s physical and management improvement. Funds are allocated by a formula allocation and based on size and age of the Authority’s units.

Rural Rental Housing Loans (WT) – This is a multiple family housing project funded by the United States Department of Agriculture. Each month a subsidy is paid to the Authority and the USDA deducts the mortgage payment from that subsidy. The rental assistance part of the subsidy is reflected as federal expenditures for this program.

Housing Choice Vouchers – 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 a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

HOME Investment Partnerships Programs – The Authority administers a tenant-based rental assistance component of the Community Housing Improvement Program (CHIP) on behalf of the City of Circleville. City funding comes from HUD.

Resident Opportunity and Self Sufficiency (ROSS) – The Authority receives a grant from HUD that provides assistance, support, and escrow savings to participants of the HCV Program.

Business Activities (OBA) – This is the miscellaneous activities of the Authority that currently include housing activities outside the scope of the conventional and housing choice voucher programs. Management contracts for non-profit elderly projects.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

The Authority has previously adopted Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB Statement No. 68*, which significantly revises accounting for pension costs and liabilities. 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.

Large increases were realized in deferred outflow of resources and net pension liability noted separately on the Statements of Net Position below. These balances reported pursuant to the relatively new accounting standard, GASB 68 noted above, truly do not reflect an operating issue at Pickaway MHA but rather reflect changes at the Public Employees Retirement System. The standard requires Pickaway MHA to report on its financial statements what is determined to be its share of the unfunded pension liability and related balances of the Ohio Public Employees Retirement System (OPERS). The concept behind the standard is for OPERS to resolve the unfunded pension liability it has; it will impose an additional funding burden on the entities that contribute to it. State law mandates that employees of Pickaway MHA are participants in OPERS and that Pickaway MHA makes retirement contributions to OPERS on behalf of all of its employees.

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 fiscal year

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Table 1 - Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets and Other	\$ 1,439,064	\$ 1,993,016
Capital Assets, Net	4,049,882	4,406,188
Total Assets	<u>5,488,946</u>	<u>6,399,204</u>
Deferred Outflow of Resources	444,194	261,734
Total Assets and Deferred Outflow of Resources	<u>\$ 5,933,140</u>	<u>\$ 6,660,938</u>
<u>Liabilities</u>		
Current Liabilities	\$ 173,486	\$ 217,020
Non-Current Liabilities	1,923,722	1,702,223
Total Liabilities	<u>2,097,208</u>	<u>1,919,243</u>
Deferred Inflow of Resources	18,047	332,654
<u>Net Position</u>		
Net Investment in Capital Assets	3,283,763	3,630,151
Restricted	249,163	478,493
Unrestricted	284,959	300,397
Total Net Position	<u>3,817,885</u>	<u>4,409,041</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 5,933,140</u>	<u>\$ 6,660,938</u>

Major factors affecting the Statement of Net Position:

The change in Capital Assets, Net is detailed later in the MDA discussion and the additions and depreciation expense, along with a decrease in Deferred Inflows of Resources and Cash from a December 2016 HUD deposit of January 2017 funding, are the factors that represent the change during the fiscal year.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities:

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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

	2017	2016
Revenues		
Tenant revenue - rents and other	\$ 333,332	\$ 319,916
Operating subsidies and grants	3,522,405	4,134,839
Capital grants	12,894	238,433
Investment income/other revenues	242,703	296,683
Total Revenues	4,111,334	4,989,871
Expenses		
Administration	758,797	976,819
Tenant services	24,010	5,927
Utilities	116,149	94,212
Maintenance	343,733	320,553
General/PILOT/Insurance	89,546	127,383
Housing assistance payment	2,978,451	3,245,785
Depreciation	372,404	376,234
Interest expense	11,731	12,941
Bad debt/fraud losses	7,669	35,124
Total Expenses	4,702,490	5,194,978
Changes in Net Position	(591,156)	(205,107)
Net Position - Beginning of Year	4,409,041	4,614,148
Net Position - End of Year	\$ 3,817,885	\$ 4,409,041

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position include:

The operating and capital grants account for the main decrease during the fiscal year in revenue; this will fluctuate from year to year. Housing assistance grants also decreased, due to lower lease-up activity, temporarily causing a small decline in the number of low-income clients served.

CAPITAL ASSETS

As of the current fiscal year-end, the Authority had \$4,049,882 invested in net capital assets as reflected in the following schedule which represents a net decrease (additions less depreciation) of \$356,306 from the end of last fiscal year.

Table 3 - Capital Assets at Fiscal Year-End, Net of Depreciation

	2017	2016
Land and land rights	\$ 684,414	\$ 684,414
Buildings	11,736,270	11,656,457
Equipment - administrative	189,327	215,942
Equipment - dwellings	144,814	144,814
Leasehold improvements	3,405	67,120
Accumulated depreciation	(8,708,348)	(8,362,559)
Total	\$ 4,049,882	\$ 4,406,188

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

The following summarizes the change in capital assets. Capital fund projects were the main factors affecting a change in capital assets. See notes to the financial statements for more detail of the capital assets.

Table 4 - Change in Capital Assets

Beginning Balance	\$ 4,406,188
Additions	16,299
Deletions (net)	(201)
Depreciation	<u>(372,404)</u>
Ending Balance	<u>\$ 4,049,882</u>

DEBT OUTSTANDING

The Authority’s debt is listed as current and long-term debt on the statement of net position and is a loan in the Williamsport Terrace project, an FHA project. Total outstanding debt was \$766,119 and \$775,950 for 2017 and 2016, respectively.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

1. Federal funding of the Department of Housing and Urban Development.
2. Local labor supply and demand, which can affect salary and wage rates.
3. Local inflationary, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance.
4. Inflationary pressure on utility rates, supplies and other costs.
5. Market rates for rental housing

IN CONCLUSION

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Kim Hartinger, Executive Director of the Pickaway Metropolitan Housing Authority at (740) 477-2514.

Respectfully submitted,

Kim Hartinger
Executive Director

PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 902,896
Cash and cash equivalents - restricted	395,981
Receivables, net	92,747
Prepaid expenses and other assets	47,440
Total Current Assets	1,439,064

Noncurrent Assets

Capital assets:	
Land	684,414
Building and equipment	12,073,816
Less accumulated depreciation	(8,708,348)
Total Noncurrent Assets	4,049,882

Deferred outflow of resources	444,194
Total Assets and Deferred Outflow of Resources	\$ 5,933,140

Liabilities

Current Liabilities

Accounts payable	\$ 13,111
Accrued liabilities	105,561
Accrued interest	943
Intergovernmental payables	15,777
Tenant security deposits	27,094
Bonds, notes, and loans payable	11,000
Total Current Liabilities	173,486

Noncurrent Liabilities

Notes and loans payable	755,119
Accrued compensated absences non-current	18,655
Accrued pension and OPEB liabilities	1,149,948
Total Noncurrent Liabilities	1,923,722

Deferred inflow of resources	18,047
Total Liabilities and Deferred Inflow of Resources	\$ 2,115,255

Net Position

Net Investment in Capital Assets	\$ 3,283,763
Restricted net position	249,163
Unrestricted net position	284,959
Total Net Position	\$ 3,817,885

See the accompanying notes to the financial statements.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

<u>Operating Revenues</u>	
Tenant revenue	\$ 333,332
Government operating grants	3,522,405
Other revenue	<u>238,996</u>
Total Operating Revenues	<u>4,094,733</u>
<u>Operating Expenses</u>	
Administrative	758,797
Tenant services	24,010
Utilities	116,149
Maintenance	343,733
Insurance	44,462
PILOT	17,034
General	28,050
Housing assistance payment	2,978,451
Bad debts	7,669
Depreciation	<u>372,404</u>
Total Operating Expenses	<u>4,690,759</u>
Operating (Loss)	(596,026)
<u>Non-Operating Revenues (Expenses)</u>	
Interest and investment revenue	3,707
Interest expense	<u>(11,731)</u>
Total Non-Operating Revenue (Expenses)	<u>(8,024)</u>
(Loss) Before Grants	(604,050)
Capital Grants - HUD	<u>12,894</u>
Changes in Net Position	<u>(591,156)</u>
Total Net Position - Beginning	<u>4,409,041</u>
Total Net Position - Ending	<u><u>\$ 3,817,885</u></u>

See the accompanying notes to the financial statements.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

<u>Cash Flows from Operating Activities</u>	
Operating grants received	\$ 3,461,977
Tenant revenue received	333,332
Other revenue received	418,358
General and administrative expenses paid	(1,580,361)
Housing assistance payments	(2,982,523)
Net Cash Used by Operating Activities	<u>(349,217)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest earned received	<u>3,707</u>
Net Cash Provided by Investing Activities	<u>3,707</u>
 <u>Cash Flows from Capital and Related Activities</u>	
Capital grant funds received	12,894
Property and equipment purchased	(16,098)
Principal payment on debt	(9,918)
Interest payment	(11,731)
Net Cash (Used) by Capital and Related Activities	<u>(24,853)</u>
Change in Cash and Cash Equivalents	(370,363)
 Cash and Cash Equivalents - Beginning of Year	 <u>1,669,240</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 1,298,877</u></u>
 <u>Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities</u>	
Net operating (loss)	\$ (596,026)
Adjustment to reconcile operating loss to net cash (used) by operating activities:	
Depreciation	372,404
(Increases) decreases in:	
Accounts receivables, net of allowance	179,362
Inventory, net of allowance	12,973
Prepaid expenses and other assets	(8,746)
Deferred outflow of resources	(182,460)
Increases (decreases) in:	
Accounts payable	(75,571)
Accrued liabilities	30,338
Accrued interest	(162)
Intergovernmental payables	(385)
Tenant security deposits	1,076
Accrued compensated absence non-current	(20,119)
Accrued pension and OPEB liabilities	252,706
Deferred inflow of resources	(314,607)
Net Cash (Used) by Operating Activities	<u><u>\$ (349,217)</u></u>

See accompanying notes to the financial statements.

PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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

Summary of Significant Accounting Policies

The financial statements of the Pickaway 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The 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 provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Basis 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 flows. 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 changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Fund Accounting

The Authority uses the enterprise fund to report on its financial position and results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The enterprise fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Housing Choice Voucher and Public Housing 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 Authority's programs that are consolidated into a single enterprise fund are as follows:

Projects (PH & CF) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvement. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

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(CONTINUED)

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

Enterprise Fund (Continued)

Rural Rental Housing Loans (WT) – This is a multiple family housing project funded by the United States Department of Agriculture. Each month a subsidy is paid to the authority and the USDA deducts the mortgage payment from that subsidy. The rental assistance part of the subsidy is reflected as federal expenditures for this program.

Housing Choice Vouchers – Under the Housing Choice Voucher Program (HCV), the Authority subsidizes rents to 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 a rent based on a percentage of their adjusted gross household income, typically 30%, and the Authority subsidizes the balance.

HOME Investment Partnerships Programs – The Authority administers a tenant-based rental assistance component of the Community Housing Improvement Program (CHIP) on behalf of the City of Circleville. City funding comes from HUD.

Resident Opportunity and Self Sufficiency (ROSS) – The authority receives a grant from HUD that provides assistance, support, and escrow savings to participants of the HCV Program.

Business Activities (OBA) – This is the miscellaneous activities of the authority that currently include housing activities outside the scope of the conventional and housing choice voucher programs. Management contracts for non-profit elderly projects.

Use of Estimates

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

Cash and Cash Equivalents

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

Tenant Receivables – Recognition of Bad Debts

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 bad debts for tenant-related receivables was \$2,404 at December 31, 2017.

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

Property and Equipment

Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The capitalization policy amount is \$5,000.

Useful Lives

Buildings	27.5-40 years
Buildings and Leasehold Improvements	15
Furniture and Equipment	7
Autos	5
Computers	3

Depreciation is recorded on the straight-line method.

Investments

Investments, if any, are stated at fair value. Non-negotiable certificates of deposit and money market investments are stated at cost.

Restricted Cash and Investments

Restricted cash and investments represents amounts received for the 5H home ownership program, restricted HAP monies, Rural Rental Housing reserves, and tenant security deposits.

Certain assets may be classified as restricted assets on the Statement of Net Position, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments. It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board of Commissioners or through external restrictions imposed by creditors, grantors, or laws, or regulations of other governments. Restricted net position consists of 5-H funds of \$249,163.

Inventories

The Authority's inventory of maintenance materials and supplies was totally expensed in 2017. The acquisition of materials and supplies is now expensed when purchased. A small amount of materials that is needed weekly is purchased in bulk and stored on shelves for convenience and emergencies.

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

Compensated Absences

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees will earn 4.0 hours sick leave per 80 hours of service. Unused sick leave may be accumulated without limit, however only 25% up to a maximum of 160 hours will be paid upon separation. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

Classifications

Some items in the financial statements have been classified differently than the FDS Schedules in the supplementary financial data.

Pensions – Deferred inflow/outflow of Resources

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then. For the Authority, deferred outflows of resources are reported on the government-wide statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 5.

In addition to liabilities, the statement 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 are reported on the statement of net position for pension. Deferred inflows of resources related to pension are explained in Note 5.

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NOTE 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 identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority'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.

The carrying amount of the Authority's deposits was \$1,298,877, including \$225 petty cash, at December 31, 2017. The corresponding bank balances were \$1,288,296. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosure*," as of December 31, 2017, \$1,071,654 was covered by federal depository insurance, while \$156,642 was collateralized with eligible securities.

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

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(CONTINUED)**

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

Book balances at December 31, 2017 were as follows:

	Cash and Cash Equivalents	Investments	Total
<u>Unrestricted Cash and Cash Equivalents</u>			
Public Housing	\$ 365,653	\$ 0	\$ 365,653
Housing Choice Vouchers	434,732	0	434,732
Rural Rental Housing	6,944	0	6,944
CHIP	23	0	23
Business activities	95,544	0	95,544
Total Unrestricted Cash and Cash Equivalents	\$ 902,896	\$ 0	\$ 902,896
<u>Restricted Cash and Cash Equivalents</u>			
Tenant security deposits - PH	\$ 16,160		
Tenant security deposits - WT	7,399		
Tenant security deposits - OBA	3,535		
Rural Rental Housing	73,167		
PH 5-H funds	249,163		
FSS funds	46,557		
Housing Assistance Payment reserve	0		
Total Restricted Cash and Cash Equivalents	\$ 395,981		

Investments

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

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

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority’s depository agreement and investment policy specifically requires compliance with HUD requirements.

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

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NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

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.

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2017, is as follows:

	Balance 12/31/16	Additions	Disposals/ Reclassifications	Balance 12/31/17
Capital Assets, Not Being Depreciated				
Land	\$ 684,414	\$ 0	\$ 0	\$ 684,414
Capital Assets, Being Depreciated				
Buildings and improvements	11,554,171	0	169,206	11,723,377
Furniture and equipment - dwelling	144,813	0	0	144,813
Furniture and equipment - administrative	215,942	0	(26,615)	189,327
Leasehold improvements	67,120	3,405	(67,120)	3,405
Construction in progress	102,287	12,894	(102,287)	12,894
Total	<u>12,768,747</u>	<u>\$ 16,299</u>	<u>\$ (26,816)</u>	<u>12,758,230</u>
Less: accumulated depreciation	(8,362,559)	(372,404)	26,615	(8,708,348)
Total Capital Assets, Net	<u>\$ 4,406,188</u>			<u>\$ 4,049,882</u>

NOTE 4: **ADMINISTRATIVE FEE**

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts.

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

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

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(CONTINUED)

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

Net Pension Liability (Continued)

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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

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

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-Employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contributions was \$88,985 for fiscal year ending December 31, 2017.

Pension Liabilities, Pension Assets, 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. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Pension Plan
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.005180%
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.005064%
Change in Proportionate Share	-0.000116%
 Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,149,948
Pension Expense	\$ 244,137

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

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

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

	<u>OPERS</u>
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$171,255
Differences between expected and actual experience	1,559
Changes of assumptions	182,395
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-
Authority contributions subsequent to the measurement date	88,985
Total Deferred Outflows of Resources	\$444,194
Deferred Inflows of Resources	
Differences between expected and actual experience	\$6,844
Changes in proportion and differences between Authority contributions and proportionate share of contributions	11,203
Total Deferred Inflows of Resources	\$18,047

\$88,985 reported as deferred outflows of resources related to pension resulting from Authority's 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>OPERS</u>
Year Ending	
December 31:	
2018	\$ 138,322
2019	143,441
2020	60,418
2021	(5,019)
Total	\$ 337,162

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

Actuarial Assumptions - OPERS

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2015.

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

Actuarial Assumptions – OPERS (Continued)

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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

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NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	\$ 1,756,803	\$ 1,149,948	\$ 644,242

NOTE 6: POST-EMPLOYMENT BENEFITS

Plan Description

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

OPERS maintains 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. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Plan Description (Continued)

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

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

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 may be 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. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent 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 for Member-Directed Plan participants for 2017 was 4.0 percent. This portion of actual authority contributions for the year ended December 31, 2017, 2016 and 2015, which were used by OPERS to fund Post-Employment benefits were \$7,154, \$13,801, and \$13,537, respectively.

NOTE 7: **COMPENSATED ABSENCES**

At December 31, 2017, based on the vesting method, \$46,711 was accrued by the Authority for unused vacation and sick time. This balance is the combined total of long-term compensated absences of \$18,655 and short-term which is included in accrued liabilities of \$28,056.

	Beginning Balance 12/31/16	Earned	Used	Ending Balance 12/31/17	Due in One Year
Compensated Absences Payable	\$ 43,274	\$ 31,487	\$ (28,050)	\$ 46,711	\$ 28,055

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 8: FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2017, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis.

NOTE 9: ECONOMIC DEPENDENCY

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

NOTE 10: RISK MANAGEMENT

The Authority is covered for property damage, general liability, automobile liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association (SHARP). SHARP is an insurance risk pool comprised of 39 Ohio housing authorities, of which the Authority is a member. SHARP is a member of the Public Entity Risk Consortium (PERC), a self-insurance pool owned by its members. PERC provides SHARP specific excess coverage above its net retained limits. Deductible and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$ 250,000,000
Automobile Physical Damage	500	(per occurrence)
Boiler and Machinery	1,000	1,000,000
Liability:		
General	0	2,000,000
Automobile	0	included
Public Officials	0	included
Law Enforcement	0	included
Professional Liability	5,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year. Health, dental, vision, and life insurance is offered to Authority employees through a commercial insurance company. Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 11: LONG-TERM DEBT

The Authority manages a multiple family housing project funded by the Department of Agriculture under its rural housing service. The following is a summary of activity occurring during 2017:

	Ending Balance <u>12/31/16</u>	<u>Additions</u>	<u>Payments</u>	Ending Balance <u>12/31/17</u>	Due in <u>One Year</u>
Mortgage					
Issued May 10, 1985					
Interest Rate 11.875%	\$ 485,322	\$ 0	\$ 7,794	\$ 477,528	\$ 8,000
Rehab loan					
Issued April 19, 2011					
Interest Rate 4.625%	290,628	0	2,037	288,591	3,000
	<u>\$ 775,950</u>	<u>\$ 0</u>	<u>\$ 9,831</u>	<u>\$ 766,119</u>	<u>\$ 11,000</u>

Long-term debt maturities for the years ending December 31 are as follows:

2018	\$ 11,000
2019	12,008
2020	13,448
2021	14,800
2022	16,200
2023 & Thereafter	698,663
Total Long-Term Debt	<u><u>\$ 766,119</u></u>

Mortgage – Annual payments required vary: based on a calculation performed on a monthly basis; using the standard loan payment amount, overages on tenant accounts and the rental assistance requested.

Rehab loan – The maximum construction loan was \$300,000. The current interest rate is 4.625%; the loan was finalized April 19, 2011. Monthly payments are \$637.30.

NOTE 12: ACCRUED LIABILITIES

The following is the detail of accrued liabilities at December 31, 2017:

Accrued payroll and payroll taxes	\$ 30,520
Accrued compensated absences - current	28,055
Other accrued liabilities	46,986
Total Accrued Liabilities	<u><u>\$ 105,561</u></u>

PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 13: **OPERATING LEASES**

In December 2015, the Authority entered into a lease agreement for a postage machine. Terms of the lease call for 60 monthly payments of \$244 billed quarterly.

Future minimum payments for lease obligations for the years ending December 31 are:

2018	\$ 2,928
2019	2,928
2020	<u>2,928</u>
	<u>\$ 8,784</u>

NOTE 14: **CONTINGENCIES**

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2017.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST FOUR FISCAL YEARS (1)**

Traditional Plan	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.005064%	0.005180%	0.004064%	0.004064%
Authority's Proportionate Share of the Net Pension Liability	\$1,149,948	\$897,242	\$498,921	\$490,164
Authority's Covered-Employee Payroll	\$828,108	\$789,658	\$591,258	\$601,615
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	138.86%	113.62%	84.38%	81.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

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

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Employer Contribution	\$ 88,985	\$ 99,372	\$ 94,759	\$ 70,951	\$ 78,210	\$ 80,177	\$ 76,078	\$ 70,612	\$ 62,501	\$ 61,243
Contributions in Relation to the Contractually Required Contribution	(88,985)	(99,372)	(94,759)	(70,951)	(78,210)	(80,177)	(76,078)	(70,612)	(62,501)	(61,243)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority Covered-Employee Payroll	\$ 684,500	\$721,793	\$662,687	\$506,794	\$558,648	\$572,689	\$543,410	\$504,375	\$446,440	\$437,450
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

**PICKAWAY METROPLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
STATEMENT OF MODERNIZATION COSTS – COMPLETED
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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

	<u>OH16P059501-15</u>
Fund Approved	\$ 137,586
Funds Expended	<u>137,586</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 137,586
Funds Expended	<u>137,586</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Project has been completed.
3. All modernization costs have been paid and all related liabilities have been discharged through payment

PICKAWAY METROPLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	Project Total	10.415 Rural Rental Housing Loans	14.871 Housing Choice Vouchers	14.239 HOME Investment Partnerships Program	Business Activities	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	365,653	6,944	434,732	23	95,544	-	902,896	-	902,896
113 Cash - Other Restricted	249,163	73,167	-	-	-	-	322,330	-	322,330
114 Cash - Tenant Security Deposits	16,160	7,399	-	-	3,535	-	27,094	-	27,094
115 Cash - Restricted for Payment of Current Liabilities	-	-	46,557	-	-	-	46,557	-	46,557
100 Total Cash	630,976	87,510	481,289	23	99,079	-	1,298,877	-	1,298,877
122 Accounts Receivable - HUD Other Projects	-	-	30,421	-	-	-	30,421	-	30,421
125 Accounts Receivable - Miscellaneous	-	-	6,820	-	39,733	-	46,553	-	46,553
126 Accounts Receivable - Tenants	8,008	3,670	-	-	716	-	12,394	-	12,394
126.1 Allowance for Doubtful Accounts -Tenants	-2,404	-	-	-	-	-	-2,404	-	-2,404
126.2 Allowance for Doubtful Accounts - Other	-	-	-700	-	-	-	-700	-	-700
127 Notes, Loans, & Mortgages Receivable - Current	5,168	957	-	-	-	-	6,125	-	6,125
129 Accrued Interest Receivable	-	-	358	-	-	-	358	-	358
120 Total Receivables, Net of Allowances for Doubtful Accounts	10,772	4,627	36,899	-	40,449	-	92,747	-	92,747
142 Prepaid Expenses and Other Assets	35,177	2,277	8,846	-	1,140	-	47,440	-	47,440
144 Inter Program Due From	-	1,000	-	-	12,905	-	13,905	-13,905	-
150 Total Current Assets	676,925	95,414	527,034	23	153,573	-	1,452,969	-13,905	1,439,064
161 Land	560,154	18,939	-	-	105,320	-	684,413	-	684,413
162 Buildings	10,081,313	1,350,677	-	-	291,387	-	11,723,377	-	11,723,377
163 Furniture, Equipment & Machinery - Dwellings	130,869	-	-	-	13,944	-	144,813	-	144,813
164 Furniture, Equipment & Machinery - Administration	122,751	4,653	61,923	-	-	-	189,327	-	189,327
165 Leasehold Improvements	-	-	3,406	-	-	-	3,406	-	3,406
166 Accumulated Depreciation	-7,841,504	-654,268	-62,242	-	-150,334	-	-8,708,348	-	-8,708,348
167 Construction in Progress	12,894	-	-	-	-	-	12,894	-	12,894
160 Total Capital Assets, Net of Accumulated Depreciation	3,066,477	720,001	3,087	-	260,317	-	4,049,882	-	4,049,882
180 Total Non-Current Assets	3,066,477	720,001	3,087	-	260,317	-	4,049,882	-	4,049,882
200 Deferred Outflow of Resources	163,646	-	126,490	-	154,058	-	444,194	-	444,194
290 Total Assets and Deferred Outflow of Resources	3,907,048	815,415	656,611	23	567,948	-	5,947,045	-13,905	5,933,140

PICKAWAY METROPLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	Project Total	10.415 Rural Rental Housing Loans	14.871 Housing Choice Vouchers	14.239 HOME Investment Partnerships Program	Business Activities	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	3,861	-	26,021	-	638	-	30,520	-	30,520
324 Accrued Contingency Liability	-	-	-	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	15,777	-	-	-	-	-	15,777	-	15,777
341 Tenant Security Deposits	16,160	7,399	-	-	3,535	-	27,094	-	27,094
342 Unearned Revenue	-	-	-	23	-	-	23	-	23
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	-
345 Other Current Liabilities	-	-	46,557	-	-	-	46,557	-	46,557
346 Accrued Liabilities - Other	406	-	-	-	-	-	406	-	406
348 Loan Liability - Current	-	-	-	-	-	-	-	-	-
310 Total Current Liabilities	55,059	21,762	95,574	23	14,973	-	187,391	-13,905	173,486
353 Non-current Liabilities - Other	-	-	-	-	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	440,545	-	335,610	-	373,793	-	1,149,948	-	1,149,948
350 Total Non-Current Liabilities	445,930	755,743	341,074	-	380,975	-	1,923,722	-	1,923,722
300 Total Liabilities	500,989	777,505	436,648	23	395,948	-	2,111,113	-13,905	2,097,208
400 Deferred Inflow of Resources	7,164	-	5,388	-	5,495	-	18,047	-	18,047
508.4 Net Investment in Capital Assets	3,066,477	-46,118	3,087	-	260,317	-	3,283,763	-	3,283,763
511.4 Restricted Net Position	249,163	-	-	-	-	-	249,163	-	249,163
512.4 Unrestricted Net Position	83,255	84,028	211,488	-	-93,812	-	284,959	-	284,959
513 Total Equity - Net Assets / Position	3,398,895	37,910	214,575	-	166,505	-	3,817,885	-	3,817,885
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	3,907,048	815,415	656,611	23	567,948	-	5,947,045	-13,905	5,933,140

**PICKAWAY METROPLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	Project Total	10.415 Rural Rental Housing Loans	14.871 Housing Choice Vouchers	14.239 HOME Investment Partnerships Program	Business Activities	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	265,453	29,715	-	-	28,720	-	323,888	-	323,888
70400 Tenant Revenue - Other	8,013	1,431	-	-	-	-	9,444	-	9,444
70500 Total Tenant Revenue	273,466	31,146	-	-	28,720	-	333,332	-	333,332
70600 HUD PHA Operating Grants	344,520	-	3,057,645	30,007	-	23,500	3,455,672	-	3,455,672
70610 Capital Grants	12,894	-	-	-	-	-	12,894	-	12,894
70700 Total Fee Revenue	-	-	-	-	-	-	-	-	-
70800 Other Government Grants	-	66,733	-	-	-	-	66,733	-	66,733
71100 Investment Income - Unrestricted	1,107	114	14	12	328	-	1,575	-	1,575
71400 Fraud Recovery	-	-	12,166	-	-	-	12,166	-	12,166
71500 Other Revenue	5,565	1,335	52,589	-	167,341	-	226,830	-	226,830
72000 Investment Income - Restricted	2,132	-	-	-	-	-	2,132	-	2,132
70000 Total Revenue	639,684	99,328	3,122,414	30,019	196,389	23,500	4,111,334	-	4,111,334
91100 Administrative Salaries	105,437	16,781	154,575	-	121,995	17,500	416,288	-	416,288
91200 Auditing Fees	2,584	287	2,584	-	287	-	5,742	-	5,742
91400 Advertising and Marketing	-	263	444	-	73	-	780	-	780
91500 Employee Benefit contributions - Administrative	54,564	4,947	19,107	-	65,731	6,000	150,349	-	150,349
91600 Office Expenses	1,362	117	12,509	-	1,804	-	15,792	-	15,792
91700 Legal Expense	4,364	1,791	4,326	-	274	-	10,755	-	10,755
91800 Travel	8,129	116	9,501	-	396	-	18,142	-	18,142
91900 Other	16,860	11,389	97,569	6,401	8,730	-	140,949	-	140,949
91000 Total Operating - Administrative	193,300	35,691	300,615	6,401	199,290	23,500	758,797	-	758,797
92400 Tenant Services - Other	392	-	-	23,618	-	-	24,010	-	24,010
92500 Total Tenant Services	392	-	-	23,618	-	-	24,010	-	24,010
93100 Water	43,017	5,355	-	-	182	-	48,554	-	48,554
93200 Electricity	8,989	2,301	-	-	-	-	11,290	-	11,290
93300 Gas	6,177	1,748	-	-	8	-	7,933	-	7,933
93600 Sewer	43,016	5,356	-	-	-	-	48,372	-	48,372
93000 Total Utilities	101,199	14,760	-	-	190	-	116,149	-	116,149
94100 Ordinary Maintenance and Operations - Labor	83,475	11,396	-	-	7,658	-	102,529	-	102,529
94200 Ordinary Maintenance and Operations - Materials and Other	76,112	8,019	-	-	5,082	-	89,213	-	89,213
94300 Ordinary Maintenance and Operations Contracts	77,241	8,687	-	-	557	-	86,485	-	86,485
94500 Employee Benefit Contributions - Ordinary Maintenance	58,591	3,500	-	-	3,415	-	65,506	-	65,506
94000 Total Maintenance	295,419	31,602	-	-	16,712	-	343,733	-	343,733

**PICKAWAY METROPLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

96110 Property Insurance	26,685	2,529	-	-	1,265	-	30,479	-	30,479
96120 Liability Insurance	-	-	1,265	-	-	-	1,265	-	1,265
96130 Workmen's Compensation	-	-	2,314	-	-	-	2,314	-	2,314
96140 All Other Insurance	7,454	-	2,950	-	-	-	10,404	-	10,404
96100 Total insurance Premiums	34,139	2,529	6,529	-	1,265	-	44,462	-	44,462
96210 Compensated Absences	11,000	1,750	8,100	-	7,200	-	28,050	-	28,050
96300 Payments in Lieu of Taxes	17,034	-	-	-	-	-	17,034	-	17,034
96400 Bad debt - Tenant Rents	7,669	-	-	-	-	-	7,669	-	7,669
96000 Total Other General Expenses	35,703	1,750	8,100	-	7,200	-	52,753	-	52,753
96710 Interest of Mortgage (or Bonds) Payable	-	11,731	-	-	-	-	11,731	-	11,731
96700 Total Interest Expense and Amortization Cost	-	11,731	-	-	-	-	11,731	-	11,731
96900 Total Operating Expenses	660,152	98,063	315,244	30,019	224,657	23,500	1,351,635	-	1,351,635
97000 Excess of Operating Revenue over Operating Expenses	-20,468	1,265	2,807,170	-	-28,268	-	2,759,699	-	2,759,699
97300 Housing Assistance Payments	-	-	2,938,039	-	-	-	2,938,039	-	2,938,039
97350 HAP Portability-In	-	-	40,412	-	-	-	40,412	-	40,412
97400 Depreciation Expense	322,328	36,317	1,148	-	12,611	-	372,404	-	372,404
90000 Total Expenses	982,480	134,380	3,294,843	30,019	237,268	23,500	4,702,490	-	4,702,490
10010 Operating Transfer In	20,000	-	-	-	-	-	20,000	-20,000	-
10020 Operating transfer Out	-20,000	-	-	-	-	-	-20,000	20,000	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-342,796	-35,052	-172,429	-	-40,879	-	-591,156	-	-591,156
11020 Required Annual Debt Principal Payments	-	10,000	-	-	-	-	10,000	-	10,000
11030 Beginning Equity	3,741,691	72,962	387,004	-	207,384	-	4,409,041	-	4,409,041
11170 Administrative Fee Equity	-	-	214,575	-	-	-	214,575	-	214,575
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	-
11190 Unit Months Available	1,296	192	7,932	-	48	-	9,468	-	9,468
11210 Number of Unit Months Leased	1,292	187	6,746	-	46	-	8,271	-	8,271

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Loan Balance
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs:</i>			
<u>Public Housing Programs</u>			
Low Rent Public Housing Program	14.850	\$ 324,520	\$ 0
Capital Fund Program	14.872	32,894	0
Total Public Housing Programs		<u>357,414</u>	<u>0</u>
<u>Housing Choice Voucher Program Cluster</u>			
Section 8 Housing Choice Voucher Program	14.871	3,057,645	0
Total Housing Choice Voucher Cluster		<u>3,057,645</u>	<u>0</u>
Home Investment Partnerships Program	14.239	30,007	0
Resident Opportunity and Supporting Services	14.870	23,500	0
<i>Total Direct Programs</i>		<u>3,468,566</u>	<u>0</u>
Total U.S. Department of Housing and Urban Development		<u>3,468,566</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct Programs:</i>			
Rural Rental Housing Loan Subsidy	10.415	66,733	775,949
Total U.S. Department of Agriculture		<u>66,733</u>	<u>775,949</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 3,535,299</u>	<u>\$ 775,949</u>

See the accompanying notes to the financial statements.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of Expenditures of federal awards (the Schedule) includes the federal award activity of the Pickaway Metropolitan Housing Authority under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pickaway Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pickaway Metropolitan Housing Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the GAAP basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3: INDIRECT COST RATE

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

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

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

To the Members of the Board
Pickaway Metropolitan Housing Authority
Circleville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pickaway Metropolitan Housing Authority, 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, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

June 26, 2018

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

To the Members of the Board
Pickaway Metropolitan Housing Authority
Circleville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Pickaway Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Pickaway Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

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

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

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

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



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

June 26, 2018

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs	No
2017(v)	Type of Major Programs' Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list): Section 8 Housing Choice Voucher Program - CFDA #14.871 Rural Rental Housing Loan Subsidy - CFDA #10.415	
2017(viii)	Dollar Threshold: Type A\B Programs	Type A: \$750,000 Type B: All Others
2017(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
PICKAWAY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

The audit report for the audit period ending December 31, 2016, had no findings or management letter recommendations.



Dave Yost • Auditor of State

PICKAWAY COUNTY METROPOLITAN HOUSING AUTHORITY

PICKAWAY 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
OCTOBER 2, 2018**