CONSORTIUM OF NORTHWEST OHIO

Financial Condition

As of

June 30, 2018

Together with Auditors' Report

Dave Yost • Auditor of State

Board of Trustees
Consortium of Northwest Ohio
1044 Chelsea Avenue
Napoleon, OH 43545-1202

We have reviewed the *Independent Auditor's Report* of the Consortium of Northwest Ohio, Henry County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 Consortium of Northwest Ohio is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

December 27, 2018

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CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY

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Independent Auditor's Report

Board of Trustees
Consortium of Northwest Ohio
Henry County

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Consortium of Northwest Ohio, Henry County, Ohio (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of Consortium of Northwest Ohio, Henry County, Ohio, as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, on pages 4 through 12 and Schedules of the Authority's Proportionate Share of the Net Pension and Other Post-Employment Benefit Liabilities and the Authority's Pension and Other Post-Employment Benefit Contributions to the Ohio Public Employees Retirement System on pages 32, 33 and 34, be presented to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

My audit was conducted to opine on the Consortium of Northwest Ohio's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

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

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this 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 my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2018 on my consideration of the Consortium of Northwest Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium of Northwest Ohio's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

November 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is a privilege to present for you the financial picture of the Consortium of Northwest Ohio, Henry County. The Consortium of Northwest Ohio's (the Consortium") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Consortium's financial activity, (c) identify changes in the Consortium's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Consortium's financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

- During FY 2018, the Consortium's net position decreased by $50,584 Since the Consortium engages only in business-type activities, the decrease is all in the category of business-type net position. Net positions were $(17,195) and $(67,779) for FY 2017 and FY 2018 respectively.

- The revenue decreased by $72,037 (or 3.69%) during FY 2018 and was $1,949,749 and $1,877,712 for FY 2017 and FY 2018 respectively.

- Total expenses increased by $15,842 (or less than 1%) during FY2018 and were $1,913,174 and $1,929,016 for FY 2017 and FY 2018 respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management's Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~
Other Required Supplementary Information ~ Required Supplementary Information (Pension Schedules) ~
Supplementary and Other Information ~ Financial Data Schedules ~ ~ Schedule of Federal Awards Expenditures ~

The focus is on the Consortium as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (fiscal year to fiscal year or Consortium to Consortium) and enhance the Consortium's accountability.

BASIC FINANCIAL STATEMENTS

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Consortium. The statement is presented in the format where assets and deferred outflow of resources, minus liabilities and deferred inflow of resources, equal "Net Position". 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 (the "Unrestricted" portion) is designed to represent the net available liquid (non-capital) assets and deferred outflows, net of liabilities and deferred inflows, for the entire Consortium. 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 accumulated depreciation, 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. The Consortium does not have any outstanding debt.

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

Unrestricted: Consists of Net Position that do not meet the definition of "Investment in Capital Assets", or "Restricted".

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

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

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

The Consortium consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector. The fund maintained by the Consortium is required by the Department of Housing and Urban Development (HUD).

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Consortium administers contracts with independent landlords that own the property. The Consortium 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 Annual Contributions Funding to enable the Consortium to structure a lease that sets the participants' rent at 30% of adjusted household income.

Business Activities:-The Business Activity account was set up to separate the non-HUD activities from the HUD funded programs. This account represents resources developed from management of the other Authorities in the Consortium and inspection services provided to other entities.

The net pension liability (NPL) is the largest single liability reported by the Authority at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.

2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Authority is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $95,953 to $103,163.

Statement of Net Position

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

STATEMENT OF NET POSITION

	2018	Restated 2017
Current and Other Assets	$ 227,255	$ 253,225
Capital Assets	10,820	15,877
Deferred Outflow of Resources	46,996	92,253
Total Assets	285,071	361,355
Current Liabilities	15,793	24,869
Non-Current Liabilities	292,049	352,317
Deferred Inflow of Resources	45,008	1,364
Total Liabilities	352,850	378,550
Net position:		
Net Investment in Capital Assets	10,820	15,877
Restricted – HAP	14,680	49,034
Unrestricted	(93,279)	(82,106)
Total Net Position	$(67,779)	$(17,195)

Major Factors Affecting the Statement of Net Position

Current and other assets decreased by $25,970 or a 10.26% decrease in fiscal year 2018. This is the result of the less HAP funds (NRP) and Unearned Admin funds revenues along with the current year's loss. The net decrease in the Capital Assets, which is detailed later in the MDA discussion, is from this year's depreciation expense. Current year Pension Liability & OPEB Liability changes and Compensated Absences increase resulted in the $60,268 or 17.11% decrease in Non-current liabilities.

While the result of operations is a significant measure of the Consortium's activities, the analysis of the changes in Unrestricted and Restricted Net Position provides a clearer change in financial well-being.

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net position June 30, 2017 restated		$ (82,106)
Results of Operations	(16,230)	
Adjustments:		
Depreciation (1)	5,057	
Adjusted Results from Operations		(11,173)
Retirement of Debt		(0)
Capital Expenditures		(0)
Unrestricted Net position June 30, 2018		$(93,279)

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net position.

CHANGE OF RESTRICTED NET POSITION

Restricted Net position June 30, 2017		$ 49,034
Results of Operations		
HAP reserves spent	$ (34,356)	
Fraud Recovery Payments	1,902	
Adjusted Results from Operations		(32,454)
Restricted Net position June 30, 2018		$ 14,680

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

	FY 2018	FY 2017
Revenues		
HUD PHA Operating Grants	$1,874,481	$1,945,547
Investment Income	146	139
Other Revenues	3,085	4,063
Total Revenue	1,877,712	1,949,749
Expenses		
Administrative	267,864	259,431
Maintenance & operations	16,851	11,601
General (Insurance & Comp abs)	12,796	12,780
Housing Assistance Payments	1,626,448	1,624,305
Depreciation	5,057	5,057
Interest	0	0
Total Expenses	1,929,016	1,913,174
Net Increase/(Decrease)	$ (50,584)	$ 36,575
Net Position at July 1 restated	(17,195)	42,183
Net Position at June 30	$(67,779)	$78,758

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

HUD PHA Operating Grants decreased by $71,066 or 3.65% in fiscal year 2018 due funding decreases for the HCV program. While there was a slight increase in the Housing Assistance Payments by $2,144 in fiscal year 2018.

Leasing decreased slightly in 2018, total unit months leased were 5455 compared to 5504-unit months leased in 2017.

The $(50,584) decrease in net position is the result of an $34,356 decrease to restricted housing assistance payment funds (NRP) and a $16,228 decrease to administrative operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Consortium had $10,820 invested in capital assets as reflected in the following schedule, which represents a net decrease for fiscal year 2018. (Additions, deductions and depreciation).

CAPITAL ASSETS AT FISCAL YEAR-END
(NET OF ACCUMULATED DEPRECIATION)
Business-type Activities:

	FY 2018	FY 2017
Land/Building	$84,511	$84,511
Equipment & Furniture	31,550	31,550
Building Improvements	59,880	59,880
Accumulated Depreciation	(165,121)	(160,064)
	$10,820	$15,877

Capital Assets are present in detail on page 17 of the notes.

CHANGE IN CAPITAL ASSETS

Beginning Balance as of July 1, 2017	$15,877
Additions	0
Depreciation	(5,057)
Ending Balance as of June30,2018	$10,820

Debt Outstanding

As of June 30, 2018, the Consortium has no outstanding debt (bonds, notes, etc.).

ECONOMIC FACTORS

Significant economic factors affecting the Consortium are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Henry Metropolitan Housing Consortium, at (419) 526-1622 Specific requests may be submitted to the Consortium at P.O. Box 1029, Mansfield, OH 44901.

CONSORTIUM OF NORTHWEST OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS		
Current Position		
Cash and Cash Equivalents - Unrestricted (Note 2)	$	209,657
Restricted Cash (Note 3)		14,680
Intergovernmental Receivable		943
Prepaid Expenses		1,975
Total Current Position		227,255
Non-Current Assets		
Depreciable Capital Assets		175,941
Accumulated Depreciation		(165,121)
Total Capital Assets		10,820
Total Non-Current Assets		10,820
Total Assets		238,075
Deferred Outflow of Resources		46,996
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	285,071
LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts Payable	$	5,860
Accrued Wages and Payroll Taxes		2,275
Intergovernmental Payable		1,937
Unearned Revenue		1,486
Accrued Compensated Absences		4,235
Total Current Liabilities		15,793
Non-Current Liabilities		
Accrued Compensated Absences		30,652
Net Pension Liability		261,397
Total Non-Current Liabilities		292,049
Total Liabilities	$	307,842
Deferred Inflow of Resources	$	45,008
Net Position		
Net Investment in Capital Assets	$	10,820
Restricted		14,680
Unrestricted		(93,279)
Total Net Position	$	(67,779)

The accompanying notes are an integral part of the financial statements.

CONSORTIUM OF NORTHWEST OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Operating Revenue:	
HUD Operating Subsidies and Grants	$ 1,874,481
Other Revenue	3,805
Total Operating Revenue	1,878,286
Operating Expenses:	
Housing Assistance Payments	1,626,448
Salaries	140,293
Employee Benefits	83,556
Other Administrative Expense	48,250
Material and Labor - Maintenance	16,851
Depreciation Expense	5,057
General Expenses	8,561
Total Operating Expenses	1,929,016
Operating Income (Loss)	(50,730)
Non-Operating Revenues (Expenses)	
Interest Revenue	146
Total Non-Operating Revenues (Expenses)	146
Change in Net Position	(50,584)
Net Position - Beginning of Year (as previously stated)	78,758
Prior Period Adjustment (Note 11)	(95,953)
Net Position - Beginning of Year (as restated)	(17,195)
Net Position - End of Year	$ (67,779)

The accompanying notes are an integral part of the financial statements.

CONSORTIUM OF NORTHWEST OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:	
Cash Received from HUD	$ 1,874,481
Cash Received from Other Income	9,744
Cash Payments for Housing assistance payments	(1,626,448)
Cash Payments for Administrative	(248,814)
Cash Payments for Other Operating Expenses	(25,412)
Net Cash Provided (Used) by Operating Activities	(16,449)
Cash Flows From Capital and Related Financing Activities:	
	0
Net Cash Provided (Used) by Capital and Related Financing Activities	0
Cash Flows From Investing Activities:	
Investment Income	146
Net Cash Provided (Used) by Investing Activities	146
Increase (Decrease) in Cash and Cash Equivalents	(16,303)
Cash and Cash Equivalents - Beginning of Year	240,640
Cash and Cash Equivalents - End of Year	$ 224,337
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	$ (50,730)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	5,057
(Increase) decrease in:	
Accounts Receivable	5,906
Prepaid Expenses	3,761
Deferred Outflow of Resources	45,257
Increase (decrease) in:	
Accounts Payable	1,714
Intergovernmental Payable	1,937
Compensated Absences	4,235
Accrued Expenses	(103)
Unearned Revenue	(13,444)
Net Pension Liability	(63,683)
Deferred Inflow of Resources	43,644
Net Cash Provided (Used) by Operating Activities	$ (16,449)

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Consortium of Northwest Ohio (the Consortium) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the generally accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Consortium's accounting policies are described below.

Reporting Entity

On November 29, 2000, after receiving and reviewing public comment on section 13 of the United States Housing Act of 1937, HUD published the final rule which implemented the 1998 law that authorizes public housing agencies (PHAs) to administer any or all of their housing programs through a consortium of PHAs. The final rule specifies minimum requirements relating to formation and operation of the consortium and minimum contents of consortium agreements, as required by the statue and further reflects HUD's consideration of public comments received on the proposed rule.

On July 1, 2005, the following organizations: Bowling Green Housing Agency, Henry Metropolitan Housing Authority, and the Williams Metropolitan Housing Authority elected to form a consortium and entered into a consortium agreement among the participating authorities, specified a Lead Agency (Henry Metropolitan Housing Authority), and submitted a Joint Plan for all participating authorities in accordance with 24 CFR part 903.

The Consortium was created under the Ohio Revised Code, Section 3735.27. The Consortium 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 Consortium depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Consortium is financially accountable. This report includes all activities considered by management to be part of the Consortium 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 of the Consortium over which the Consortium is financially accountable.

Fund Accounting

The Consortium uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Types:

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

Enterprise Fund – The Consortium is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Consortium are included on the statement of net position. The statement of revenues, expenses and 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 Consortium finances and meets cash flow needs.

The Consortium accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Consolidation

The basic financial statements include the financial activity of the Bowling Green Housing Authority, Henry Metropolitan Housing Authority, and the Williams Metropolitan Housing Authority, which make up the Consortium. Substantially all inter-consortium accounts and transactions have been eliminated.

Accounting and Reporting for Nonexchange Transactions

The Consortium accounts for nonexchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions occur when the Consortium receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB Statement No. 33, the Consortium has recognized grant funds expended for capitalizable capital assets acquired after June 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the assets life, are not capitalized. The capitalization threshold used by the Consortium is $500. The following are the useful lives used for depreciation purposes:

Description	Estimated Useful Life – Years
Building	40
Building Improvements	5-15
Vehicles	5
Equipment	3-7

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.

Compensated Absences

The Consortium accounts for compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. All employees who meet the termination policy of the Consortium for years of service are included in the calculation of the compensated absences accrual amount.

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement 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 Consortium or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal yearend of $14,680 represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Consortium first applies restricted resources. The Consortium did not have net position restricted by enabling legislature at June 30, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

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

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are recorded as prepaid items via the consumption method.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Consortium had restricted assets for Housing Assistance Payment equity balances of $14,680.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Consortium, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as non-operating revenues.

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.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

2. CASH AND CASH EQUIVALENTS-CONTINUED

All monies are deposited into banks as determined by the Consortium. Funds are deposited in a non-interest bearing checking account. Security shall be furnished for all accounts in the Consortium's name.

Cash and cash equivalents included in the Consortium's cash position at June 30, 2018 are as follows:

Demand deposits:	Checking	Savings
Bank balance	$ 199,796	$ 30,749
Items-in-transit	(6,194)	-
Carrying balance	$ 193,602	$ 30,749

In addition, the Consortium maintains $50 in petty cash funds. The fiscal year-end cash balance of $230,545 was covered by federal deposit insurance.

Based on the Consortium having only demand deposits at June 30, 2018, the Consortium is not subject to interest rate, credit, concentration, or custodial credit risks.

3. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2018:

	Balance at July 1, 2017	**Additions**	**Disposals**	**Balance at June 30, 2018**
Capital Assets Depreciated				
Building	84,511	-	-	84,511
Building Improvements	59,880	-	-	59,880
Furniture, fixtures, and equipment	31,550	-	-	31,550
Total Capital Assets Depreciated	175,941	-	-	175,941
Accumulated Depreciation				
Building	(75,996)	(4,266)	-	(80,262)
Building Improvements	(53,019)	(791)	-	(53,810)
Furniture, fixtures, and equipment	(31,049)	(0)	-	(31,049)
Total Accumulated Depreciation	(160,064)	(5,057)	-	(165,121)
Total Capital Assets, Net	$ 15,877	$ (5,057)	$ 0	$ 10,820

4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2018:

	Restated Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018	Due in One Year
Compensated Absences	$ 30,652	$ 15,173	$(10,938)	$ 34,887	$ 4,235
Net OPEB Liability	95,953	7,210		103,163	0
Net Pension Liability	229,127		(69,893)	159,234	0
Total	$355,732	$ 22,383	$(80,831)	$297,284	$ 4,235

See Note 5 for information on the Authority's net pension liability and Note 6 for information on the Authority's net OPEB liability.

5. DEFINED BENEFIT PENSION PLAN

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees 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.

5. DEFINED BENEFIT PENSION PLAN (continued)

Plan Description

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee’s employment. Contributions made prior to the employee’s plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2016 can be found in the OPERS 2016 Comprehensive Annual Financial Report.

Pension Benefits – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

<u>Age-and-Service Defined Benefits</u> – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 35 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Refer to the age-and-service tables located in the OPERS 2014 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member’s pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

5. DEFINED BENEFIT PENSION PLAN (continued)

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

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

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

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employee contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

<u>Disability Benefits</u> – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

5. DEFINED BENEFIT PENSION PLAN (continued)

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may quality for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they quality for survivor benefits. Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combed Plan. Death benefits are not available to beneficiaries of Member-Direct Plan participants.

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65 or may elect to receive a refund of their employee contributions made during the period of reemployment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2017.

Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method.

5. DEFINED BENEFIT PENSION PLAN (continued)

This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0% for fiscal year 2018. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for fiscal year 2018 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2017 was $19,048, which represented 100% of the Authority's required contribution, and the Authority's proportionate share of pension expense during the same period was $17,707. The Authority did not make any contributions to the Combined Plan during calendar year 2017.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2017, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013 and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2017, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2017, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	$ 159,234
Proportion of the Net Pension Liability	0.0010150%
Pension Expense	$ 17,707

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the 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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

5. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions (continued)

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation Date	December 31, 2016	December 31, 2016
Experience Study	5 Year Period Ending December 31, 2015	5 Year Period Ending December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25-10.05% (includes wage inflation at 3.25%)	3.25–8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy 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 discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 7.5% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher 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	$ 282,759	$ 159,234	$ 56,251

5. DEFINED BENEFIT PENSION PLAN (continued)

The allocation of investment assets within 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 following table displays the Board of Trustees approved asset allocation policy for 2016 and the long-term expected real rates of return.

Asset Class	Allocation	Real Rate of Return
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total	100%	5.66%

The long-term expected 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 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 Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio was .4% for 2016.

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2017, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

Deferred Inflows and Deferred Outflows

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2016. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2017.

6. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 19,192
Authority contributions subsequent to the measurement Date	20,212
Total Deferred Outflows of Resources	$ 39,404
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 37,323

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the Authority's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Outflows of Resources
2018	$(14,263)
2019	3,294
2020	15,053
2021	14,047
Thereafter	-
Total	$ 18,131

6. OTHER POST-EMPLOYMENT BENEFITS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions –between an employer and its employees - of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the

6. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – OPERS

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS. OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple-employer defined benefit plan with defined contribution features.
As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115Ttrust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage.

Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

6. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

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 is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2018, Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage.

The portion of employer contributions allocated to healthcare was 1.0% for calendar year 2017. As recommended by OPERSs actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2018 decrease to 0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

Authority's contractually required contribution was $19,048 for the fiscal year 2018. Of this amount, $1,341 was used to fund health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

The net OPEB liability for OPERS was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on The Authority's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportionate Share of the Net OPEB Liability	$ 103,163
Proportion of the Net OPEB Liability	0.0009500%
Change in Proportion from Prior Measurement Date	0%
OPEB Expense	$ 1,341

At June 30, 2018, The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Total Deferred Outflows
Difference between expected and actual experience	$ 81
Changes of assumptions	7,511
Total Deferred Outflows of Resources	$ 7,592

	Total Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	$ (7,685)

6. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	
2018	$ (1,708)
2019	(1,708)
2020	1,589
2021	1,921
2022	0
Thereafter	0
Total	$ 93

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 health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% 3.25 - 10.75%
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.
Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

6. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates
of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	17.00%	5.39%
TOTAL	100.00%	4.98%

Discount Rate: The single discount rate used to measure the OPEB liability was 3.85 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate:

The following table presents the Authority's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.85 percent, as well as what The Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 137,056	$ 103,163	$ 75,744

6. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability.

The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%.

If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (6.50%)	Current Cost Trend Rate (7.50%)	1% Increase (8.50%)
Consortium's proportionate share of the net OPEB liability	$ 98,705	$ 103,163	$ 107,768

7. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Consortium are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Consortium at June 30, 2018.

B. Litigation

The Consortium is unaware of any outstanding lawsuits or other contingencies.

8. RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and nature disaster. During fiscal year 2018, the Consortium purchased commercial insurance for vehicle, health, general liability, building contents, and real property insurance.

Vehicle insurance carries a $250 comprehensive deductible and $500 collision deductible. Property insurance carries a $500 deductible. The deductible for general liability and electronic data processing insurance are $500 each. The deductible for public officials' liability insurance is $1,000.

There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three fiscal years.

9. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 28, 2018, the date on which the financial statements were available to be issued.

10. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of the Consortium of Northwest Ohio for the year ended June 30, 2018. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Consortium of Northwest Ohio, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Consortium of Northwest Ohio.

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

The Consortium of Northwest Ohio has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

11. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the Consortium implemented the Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

These changes were incorporated in the Consortium's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	$ 78,758
Adjustments:	
Net OPEB Liability	(95,953)
Restated Net Position June 30, 2017	$ (17,195)

CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST THREE FISCAL YEARS

(UNAUDITED)

	2018	2017	2016
Authority's Proportion of the Net Pension Liability	0.0010150%	0.0010090%	0.0010450%
Authority's Proportionate Share of the Net Pension Liability	$ 159,234	$ 229,127	$ 181,007
Authority's Covered Employee Payroll	$ 136,057	$ 132,129	$ 128,574
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	117.03%	173.41%	140.78%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	84.66%	77.25%	81.08%

(1) The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TWO FISCAL YEARS

(UNAUDITED)

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.0009500%	0.0009500%
Authority's Proportionate Share of the Net OPEB Liability	$ 103,163	$ 95,953
Authority's Covered Employee Payroll	$ 136,057	$ 132,129
Authority's Proportionate Share of the Net OPEB Liability as a percentage of its covered employee payroll	75.82%	72.62%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	54.14%	68.52%

1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

2) Information prior to 2017 is not available.

CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST TEN YEARS
(UNAUDITED)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required employer contribution										
Pension	$ 17,707	$ 16,542	$ 15,429	$ 15,907	$ 18,942	$ 14,626	$18,227	$ 19,901	$ 19,440	$ 18,869
OPEB	$ 1,341	$ 1,956	$ 2,571	$ 2,651	$ 1,457	$ 5,850	$ 3,038	$ 1,126	$ 1,100	$ 1,068
Contributions in relation to the										
contractually required contribution	$(19,048)	$ (18,498)	$(18,000)	$ (18,558)	$(20,399)	$(20,476)	$(21,265)	$(21,027)	$(20,540)	$(19,937)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority covered-employee payroll	$ 136,057	$ 132,129	$128,571	$ 132,557	$145,707	$146,257	$151,893	$150,193	$146,714	$142,407
Contribution 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%
Pension	13.48%	12.52%	12.00%	12.00%	13.00%	10.00%	12.00%	13.25%	13.25%	13.25%
OPEB	1.00%	1.48%	2.00%	2.00%	1.00%	4.00%	2.00%	0.75%	0.75%	0.75%

Ohio Public Employees' Retirement System

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

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

Changes in assumptions: In 2016, actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review 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 most notable being a reduction in the actuarially assumed rate of return from 8.0% to 7.5% for the defined benefits investments. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Consortium of Northwest Ohio
Consolidating Statement of Net Position
June 30, 2018

Account Description	Henry Metropolitan Housing Authority	Bowling Green Housing Agency	Williams Metropolitan Housing Authority	Eliminations	Consolidated Consortium's TOTALS
Current Assets					
Cash - Unrestricted	$ 142,153	$ 7,199	$ 60,305	$ -	$ 209,657
Cash - Restricted	5,695	8,917	68		14,680
Total Cash	147,848	16,116	60,373	-	224,337
Accounts Receivable					
Accounts Receivable - HUD Other Project		55			55
Accounts Receivable - Other Government	734		154		888
Fraud Recovery	2,901	2,377	4,050		9,328
Allowance for Doubtful Accounts	(2,901)	(2,377)	(4,050)	-	(9,328)
Total Receivables, Net of Allowance for Doubtful Accounts	734	55	154	-	943
Prepaid Expenses	1,975				1,975
Total Current Assets	150,557	16,171	60,527	-	227,255
Capital Assets					
Buildings	84,511				84,511
F/E/M Admin.	18,792		12,758	-	31,550
Leasehold Improvements	59,880				59,880
Accum Depreciation	(152,863)		(12,258)		(165,121)
Total Capital Assets, Net of Accumulated Depreciation	10,320	-	500	-	10,820
Total Assets	160,877	16,171	61,027	-	238,075
Deferred Outflow of Resources	46,996				46,996
Current Liabilities					
A/P <= 90 days	5,126	61	673		5,860
Accrued Wage/Taxes Payable	2,275				2,275
Accrued Comp Abs. - Current	4,235				4,235
Accounts Payable - HUD PHA Programs	1,937				1,937
Unearned Revenue	972		514		1,486
Total Current Liabilities	14,545	61	1,187	-	15,793
Non-Current Liabilities					
Accrued Comp Abs. - Noncurrent	30,652				30,652
Accrued Pension	261,397				261,397
Total Non-Current Liabilities	292,049	-	-	-	292,049
Total Liabilities	306,594	61	1,187	-	307,842
Deferred Inflow of Resources	45,008				45,008
Invested in Capital Assets Net	10,320		500		10,820
Restricted Net Position	5,695	8,917	68		14,680
Unrestricted Net Position	(159,744)	7,193	59,272		(93,279)
Total Net Position	$ (143,729)	$ 16,110	$ 59,840	$ -	$ (67,779)

Consortium of Northwest Ohio

Consolidating Statement of Revenue and Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

Account Description	Henry Metropolitan Housing Authority	Bowling Green Housing Agency	Williams Metropolitan Housing Authority	Eliminations	Consolidated Consortium's TOTALS
Revenue					
HUD Operating Subsidies and Grants	$ 882,502	$ 479,573	$ 512,406	$ -	$ 1,874,481
Other Revenue					
Fraud Recovery	1,090	2,095	620		3,805
Other Revenue	148,184			(148,184)	-
Total Other Revenue	149,274	2,095	620	(148,184)	3,805
TOTAL REVENUE	1,031,776	481,668	513,026	(148,184)	1,878,286
Expenses					
Housing Assistance Payments	760,012	404,872	461,564		1,626,448
Administrative Salaries	136,058				136,058
Compensated Absences	4,235				4,235
Total Salaries	140,293	-	-	-	140,293
Employee Benefits	83,556				83,556
Administrative Expenses					
Audit Fee	6,105				6,105
Management Fees		70,739	77,445	(148,184)	-
Advertisement & Marketing	509				509
Office Expenses	20,925	508	34		21,467
Travel	1,917				1,917
Other	18,252				18,252
Total Administrative Expenses	47,708	71,247	77,479	(148,184)	48,250
Ordinary Maintenance and Operations					
Materials and Other	16,851				16,851
Depreciation Expense	5,057				5,057
General					
Insurance Premiums	8,561				8,561
Total Operating Expenses	1,062,038	476,119	539,043	(148,184)	1,929,016
Non-Operating Revenues (Expenses)					
Interest Income	98	10	38	-	146
Total Non-Operating Revenues (Expenses)	98	10	38	-	146
Change in Net Position	(30,164)	5,559	(25,979)	-	(50,584)
Net Position - Beginning of Year (as previously stated)	(17,612)	10,551	85,819	-	78,758
Prior Period Adjustment	(95,953)				(95,953)
Net Position - Beginning of Year (as restated)	(113,565)	10,551	85,819	-	(17,195)
Net Position - End of Year	(143,729)	16,110	59,840	-	(67,779)

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	**Account Description**	**Bowling Green Section 8 14.871 Housing Choice Voucher**
	Current Assets	
111	Cash - Unrestricted	$ 7,199
113	Cash - Restricted	8,917
100	Total Cash	16,116
	Accounts Receivable	
124	Acct Rec-Other Government	55
128	Fraud Recovery	729
128.1	Allow Doubtful Accounts	(729)
120	Total Receivables, Net of Allowance for Doubtful Accounts	55
150	**Total Current Assets**	16,171
290	**TOTAL ASSETS**	**$ 16,171**
312	A/P <= 90 days	$ 61
310	Total Current Liabilities	61
	Total Liabilities	61
511.1	Restricted Net Position	8,917
512.1	Unrestricted Net Position	7,193
513	Total Equity/Net Position	16,110
600	**TOTAL LIABILITIES AND NET POSITION**	**$ 16,171**

NOTE FOR REAC REPORTING: The accompanying statements have been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items may differ from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

Consortium of Northwest Ohio
Henry County
Entity Wide Revenue and Expense Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Bowling Green Section 8 14.871 Housing Choice Voucher
	Revenue	
706-010	Housing Assistance Payment Revenue	$ 479,573
706	HUD PHA Operating Grants	479,573
711	Investment Income - PHA	10
714	Fraud Recovery - PHA	2,095
700	Total Revenue	481,678
	Expense	
913	Management Fees	70,739
916	Office Expenses	508
	Total Operating - Administrative	71,247
	Total Operating Expenses	71,247
970	Excess Operating Revenue over Expenses	410,431
	Other Expenses	
973	Housing Assistance Payments	404,872
900	Total Expenses	476,119
1000	Excess of Revenues over Expenses	5,559
1103	Beginning Net Position	10,551
1117	Administrative Fee Equity	7,193
1118	Housing Assistance Payment Equity	8,917
	Total Ending Net Position	$ 16,110

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Williams Section 8 14.871 Housing Choice Voucher
111	Cash - Unrestricted	$ 60,305
113	Cash - Restricted	68
100	Total Cash	60,373
124	Acct Rec-Other Government	154
128	Fraud Recovery	4,050
128.1	Allow Doubtful Accounts	(4,050)
120	Net Total Receivables	154
150	**Total Current Assets**	60,527
164	F/E/M Admin.	12,758
166	Accum Depreciation	(12,258)
160	Net Fixed Assets	500
290	**TOTAL ASSETS**	**$ 61,027**
312	A/P <= 90 days	$ 673
342	Unearned Revenue	514
	Total Liabilities	1,187
508.1	Invested in Capital Assets Net	500
511.1	Restricted Net Position	68
512.1	Unrestricted Net Position	59,272
513	Total Equity/Net Position	59,840
600	**TOTAL LIABILITIES AND EQUITY**	**$ 61,027**

Consortium of Northwest Ohio
Henry County
Entity Wide Revenue and Expense Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Williams Section 8 14.871 Housing Choice Voucher
706-01	Housing Assistance Payment Revenue	$ 444,928
711	Investment Income - PHA	38
714	Fraud Recovery - PHA	620
700	TOTAL REVENUE	445,586
913	Management Fees	71,311
916	Office Expenses	34
	Total Operating - Admin.	71,345
	TOTAL OPERATING EXPENSES	71,345
970	Excess Oper. Rev. over Exp.	374,241
973	HAP	400,220
900	TOTAL EXPENSES	471,565
1000	Excess of Revenues over Expenses	(25,979)
1103	Beginning Net Position	97,578
1117	Administrative Fee Equity	68
1118	Housing Assistance Payment Equity	59,772
	Total Ending Net Position	$ 59,840

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Current Assets				
111	Cash - Unrestricted	$ 118,051	$ 1,460	$ 22,642	$ 142,153
113	Cash - Restricted	5,695			5,695
100	Total Cash	123,746	1,460	22,642	147,848
	Accounts Receivable				
124	Acct Rec - Other Governments		734		734
128	Fraud Recovery	2,901			2,901
128.1	Allow Doubtful Accounts	(2,901)			(2,901)
120	Total Receivables, Net of Allowance for Doubtful Accounts	-	734	-	734
142	Prepaid Expenses	1,975			1,975
150	**Total Current Assets**	125,721	2,194	22,642	150,557
	Noncurrent Assets				
	Capital Assets				
162	Buildings	84,511			84,511
164	F/E/M Admin.	18,792			18,792
165	Leasehold Improvements	59,880			59,880
166	Accum Depreciation	(152,863)			(152,863)
160	Net Fixed Assets	10,320	-	-	10,320
180	Total Noncurrent assets	10,320	-	-	10,320
200	Deferred Outflow of Resources	46,996			46,996
290	**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES**	**$ 183,037**	**$ 2,194**	**$ 22,642**	**$ 207,873**

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Current Liabilities				
312	A/P <= 90 days	$ 5,126	$ -	$ -	$ 5,126
321	Accrued Wage/Taxes Payable	2,275			2,275
322	Accrued Comp Abs - current	4,235			4,235
331	A/P - HUD PHA Programs			1,937	1,937
342	Unearned Revenue	972			972
310	Total Current Liabilities	12,608	-	1,937	14,545
	Non-Current Liabilities				
354	Accrued Comp Abs. - Noncurrent	30,652			30,652
357	Accrued Pension	176,641	84,756		261,397
	Total Non-Current Liabilities	207,293	84,756		292,049
	Total Liabilities	219,901	84,756	1,937	306,594
400	Deferred Inflow of Resources	45,008			45,008
	Net Position				
508.1	Invested in Capital Assets Net	10,320			10,320
511.1	Restricted Net Position	5,695			5,695
512.1	Unrestricted Net Position	(97,887)	(82,562)	20,705	(159,744)
513	Total Net Position	(81,872)	(82,562)	20,705	(143,729)
600	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**	**$ 183,037**	**$ 2,194**	**$ 22,642**	**$ 207,873**

Consortium of Northwest Ohio
Henry County
Entity Wide Revenue and Expense Summary
FDS Schedule Submitted to HUD
June 30, 2018

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Revenue				
706-010	Housing Assistance Payment Revenue	$ 852,239	$ -	$ 30,263	$ 882,502
711	Investment Income - PHA	82		16	98
714	Fraud Recovery - PHA	1,090			1,090
715	Other Revenue		148,184		148,184
700	Total Revenue	853,411	148,184	30,279	1,031,874
	Expenses				
911	Admin. Salaries	47,411	86,543	2,104	136,058
912	Audit	1,810	4,070	225	6,105
914	Advertisement & Marketing	487		22	509
915	Employee Benefits	45,683	36,965	908	83,556
916	Office Expenses	12,857	7,497	571	20,925
918	Travel	824	1,056	37	1,917
919	Other	8,744	9,120	388	18,252
910	Total Operating - Administrative	117,816	145,251	4,255	267,322
942	Ordinary Maintenance and Operations Materials and Other	16,135	-	716	16,851
940	Total Maintenance and Operations	16,135	-	716	16,851
961.2	Insurance - Liab Insurance	6,490	1,783	288	8,561
961	Total Insurance	6,490	1,783	288	8,561
962.1	Comp Abs	4,235			4,235
	Total Operating Expenses	144,676	147,034	5,259	296,969
970	Excess Operating Revenue over Expenses	708,735	1,150	25,020	734,905
	Other Expenses				
973	Housing Assistance Payments	735,772		24,240	760,012
974	Depreciation Expense	5,057			5,057
	Total Other Expenses	740,829	-	24,240	765,069
900	Total Expenses	885,505	147,034	29,499	1,062,038
1000	Excess of Revenues over Expenses	(32,094)	1,150	780	(30,164)
1103	Beginning Net Position	(49,778)	(83,712)	19,925	(113,565)
1117	Administrative Fee Equity	(87,567)			(87,567)
1118	Housing Assistance Payment Equity	5,695			5,695
	Total Ending Net Position	$ (81,872)	$ (82,562)	$ 20,705	$ (143,729)

Consortium of Northwest Ohio
Henry County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Housing Choice Voucher	N/A	14.871	$ 1,776,740
Section 8 New Construction and Substantial Rehabilitation	N/A	14.182	30,263
HOME Investment Partnerships Program	N/A	14.239	67,478
Total Federal Award Expenditures			$ 1,874,481

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Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Consortium of Northwest Ohio
Henry County

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Consortium of Northwest Ohio, Henry County, (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Kevin L. Penn, Inc.

November 28, 2018

Kevin L. Penn, Inc.

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

Board of Trustees
Consortium of Northwest Ohio
Henry County

Report on Compliance for each Major Federal Program

I have audited Consortium of Northwest Ohio's (the Consortium) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Consortium of Northwest Ohio's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Consortium's major federal programs.

Management's Responsibility

The Consortium's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to opine on the Consortium's compliance for each of the Consortium's major federal programs based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require me to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on each of the Consortium's major programs. However, my audit does not provide a legal determination of the Consortium's compliance.

Opinion on each Major Federal Program

In our opinion, Consortium of Northwest Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The Consortium's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing my compliance audit, I considered the Consortium's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Consortium's internal control over compliance.

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

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

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

Kevin L. Penn, Inc.

November 28, 2018

Consortium of Northwest Ohio
Schedule of Findings
June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unmodified
Are there any reportable findings under 2 CFR Section 200.516(a)?	No
Identification of major programs:	
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	Type A: > $750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

There were no audit findings, during the 2017 fiscal year.

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CONSORTIUM OF NORTHWEST OHIO

HENRY 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
JANUARY 8, 2019

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