

**CHILlicoTHE METROPOLITAN  
HOUSING AUTHORITY  
ROSS COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2020**

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

OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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Board Members

Chillicothe Metropolitan Housing Authority  
178 West Fourth Street  
Chillicothe, Ohio, 45601

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by James G. Zupka, CPA, Inc., for the audit period October 1, 2019 through September 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 21, 2021

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**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

*Certified Public Accountants*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Chillicothe Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Chillicothe Metropolitan Housing Authority as of September 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

March 19, 2021

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**  
**(UNAUDITED)**

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Management's Discussion and Analysis for the year ended September 30, 2020.

This Management's Discussion and Analysis (MD&A) for the Chillicothe Metropolitan Housing Authority (Chillicothe MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Chillicothe MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended September 30, 2020, resulting changes, and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**Overview of the Financial Statements**

The Basic Financial Statements included elsewhere in this report are:

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

The **Statement of Net Position** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it essentially reports the value of assets Chillicothe MHA holds at September 30, 2020, that is, the cash Chillicothe MHA has, the amounts that are owed Chillicothe MHA from others, and the value of the equipment Chillicothe MHA owns. In the other half of the report it essentially shows the liabilities Chillicothe MHA has, that is, what Chillicothe MHA owes others at September 30, 2020; and what Net Position (or what is commonly referred to as Equity) Chillicothe MHA has at September 30, 2020. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet.

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

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

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

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

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



**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**  
**(UNAUDITED)**

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

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

#### **Chillicothe MHA's Business Type Funds**

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

Chillicothe MHA's programs include the following:

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

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

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

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

PIH Family Self-Sufficiency Program - HUD provides Chillicothe MHA grant funding that is used to enable Public Housing and Section 8 Program residents to attain self-sufficiency and economic independence.

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

**Condensed Financial Statements**

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

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

	2020	2019
<b><u>Assets and Deferred Outflows of Resources</u></b>		
Current and Other Assets	\$ 2,648,000	\$ 2,362,000
Capital Assets	5,788,000	6,034,000
Deferred Outflows of Resources	248,000	476,000
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,684,000</b>	<b>\$ 8,872,000</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Net Position</u></b>		
Current Liabilities	\$ 478,000	\$ 327,000
Long-Term Liabilities	1,672,000	2,062,000
<b>Total Liabilities</b>	<b>2,150,000</b>	<b>2,389,000</b>
<b>Deferred Inflows of Resources</b>	<b>306,000</b>	<b>19,000</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	5,788,000	6,034,000
Restricted	38,000	65,000
Unrestricted	402,000	365,000
<b>Total Net Position</b>	<b>6,228,000</b>	<b>6,464,000</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 8,684,000</b>	<b>\$ 8,872,000</b>

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

Current assets increased by about \$286,000 (or 12%) and the increase is primarily in cash. Contributing in part to that increase is the Authority was advanced CARES money by HUD to be used by the Housing Choice Voucher program and about \$120,000 was unspent at year-end. Otherwise, a favorable year-end finish from operations plays a part in the increase. That unspent CARES money is also a big reason why current liabilities also increased over the prior year, increasing by \$151,000 (or 46%). Capital assets dropped by about \$246,000, but that is only a modest 4%, a result of capital additions in the period falling just a little short of depreciation on assets in the period.

**CHILlicothe METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**  
**(UNAUDITED)**

Other notable changes on this statement were to deferred outflow of resources, deferred inflow of resources and non-current liabilities, all due to reporting of pension and other postemployment benefits (OPEB) activity required by GASB 68 and GASB 75. GASB 68 and GASB 75 are accounting standards that essentially require Chillicothe MHA to report what is determined to be its share of the unfunded pension and health insurance liabilities of the pension system, the Ohio Public Employees Retirement System (PERS). Employees of Chillicothe MHA are required by state law to be members of PERS, and Chillicothe MHA is required to make retirement contributions to PERS for all of its employees. The Net Pension and Health Insurance Liability is unlike other liabilities the agency has in that these liabilities do not represent invoices to be paid by the agency but rather is an attempt to estimate the extent to which contributions to PERS would have to increase in order for PERS to fully fund its future pension and healthcare obligations. Contribution rates to the retirement system are set by state law. It is debatable that it will ever be a goal of state legislature to fully fund these future pension and healthcare liabilities of the retirement system. Yet these balances have a significant impact on end net position. To illustrate the impact of reporting in accordance with GASB 68 & GASB 75 on the Statement of Net Position, unrestricted net position at 9/30/2020 is just a little over \$402,000, and that is almost \$1.6 million less than what it would be adjusting for the impact of balances reported in accordance with GASB 68 & GASB 75.

The following is a **Condensed Statement of Revenues, Expenses, and Changes in Net Position** compared to prior year. Chillicothe MHA is engaged only in business type activities.

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

	2020	2019
<b><u>Revenues</u></b>		
Tenant Revenues - Rents and Others	\$ 842,000	\$ 918,000
Operating Subsidies and Grants	5,007,000	4,965,000
Capital Grants	359,000	470,000
Other Revenues	61,000	27,000
<b>Total Revenues</b>	<b>6,269,000</b>	<b>6,380,000</b>
<b><u>Expenses</u></b>		
Administrative	1,038,000	1,046,000
Tenant Services	228,000	144,000
Utilities	335,000	350,000
Maintenance	971,000	1,275,000
General	297,000	322,000
Housing Assistance Payments	3,030,000	2,915,000
Depreciation	606,000	613,000
<b>Total Expenses</b>	<b>6,505,000</b>	<b>6,665,000</b>
Net (Decrease) in Net Position	(236,000)	(285,000)
Beginning Net Position	6,464,000	6,749,000
Ending Net Position	<b>\$ 6,228,000</b>	<b>\$ 6,464,000</b>

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

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Revenues decreased by less than 2% over the prior year, dropping by \$111,000, and the decrease in capital grant revenue matched that overall decrease of \$111,000. This drop in capital grant revenue does not reflect a reduction in funding but rather is a normal fluctuation in when funding for capital projects is spent. The revenue is recognized when the money is spent. PHAs are awarded capital grant funding from HUD annually, but are typically given up to 4 years to spend the money received in the year. PHAs prepare 5 year and annual spending plans, and it is common for fluctuations in spending from year to year due to when activities are planned and when they can be carried out.

Overall expenses decreased similarly by just a little more than 2%, but there were some notable changes in individual expense categories. There were notable increases in tenant services and HAP spending, while spending on maintenance dropped. The increase in tenant services reflects expenses incurred preparing for, preventing and responding to the COVID-19 break out that emerged about half way through this fiscal period. The increase in HAP expense, that is rental assistance paid out to families helped by the Authority’s Housing Choice Voucher program, corresponds to an increase in the lease up rate for the program. That means Chillicothe MHA helped more families and spent a little more providing that help. The drop in maintenance expense in large part is related to a drop in spending of Capital Fund Program funds for non-capital projects. Last year an increase was noted on this line due to a fluctuation in this kind of spending, so this is just a reflection of normal fluctuation in when that funding provided annually is spent.

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

	2020	2019
Land and Land Rights	\$ 1,301,000	\$ 1,301,000
Buildings and Improvements	26,082,000	25,722,000
Equipment	480,000	480,000
Accumulated Depreciation	(22,075,000)	(21,469,000)
<b>Total</b>	<u>\$ 5,788,000</u>	<u>\$ 6,034,000</u>

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

**Debt**

The Authority has no debt.

**Economic Factors**

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

**CHILlicothe METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

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**Financial Contact**

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

**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets**

Cash and Cash Equivalents	\$ 2,143,966
Restricted Cash and Cash Equivalents	325,374
Receivables, Net	100,662
Prepaid Expenses and Other Assets	78,178
<b>Total Current Assets</b>	<b>2,648,180</b>

**Non-Current Assets**

Capital Assets:

Non-Depreciable Capital Assets	1,301,488
Depreciable Capital Assets, Net	4,486,154
<b>Total Non-Current Assets</b>	<b>5,787,642</b>

**Deferred Outflows of Resources**

Deferred Outflow of Resources - Pension	134,489
Deferred Outflow of Resources - OPEB	113,301
<b>Total Deferred Outflows of Resources</b>	<b>247,790</b>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** **\$ 8,683,612**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**Current Liabilities**

Accounts Payable	\$ 144,787
Accrued Liabilities	24,165
Intergovernmental Payables	120,027
Tenant Security Deposits	68,450
Unearned Revenue	120,107
<b>Total Current Liabilities</b>	<b>477,536</b>

**Non-Current Liabilities**

Accrued Compensated Absences Non-Current	36,870
Other Non-Current Liabilities	95,548
Net Pension Liability	917,127
Net OPEB Liability	622,672
<b>Total Non-Current Liabilities</b>	<b>1,672,217</b>

**TOTAL LIABILITIES** **2,149,753**

**Deferred Inflows of Resources**

Deferred Inflow of Resources - Pension	208,896
Deferred Inflow of Resources - OPEB	97,442
<b>Total Deferred Inflows of Resources</b>	<b>306,338</b>

**Net Position**

Investment in Capital Assets	5,787,642
Restricted Net Position	37,868
Unrestricted Net Position	402,011
<b>Total Net Position</b>	<b>6,227,521</b>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** **\$ 8,683,612**

See accompanying notes to the basic financial statements.

**CHILlicothe METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**Operating Revenues**

Tenant Revenue	\$ 842,140
Government Operating Grants	5,006,952
Other Revenue	49,458
<b>Total Operating Revenues</b>	<b>5,898,550</b>

**Operating Expenses**

Administrative	1,037,789
Tenant Services	228,289
Utilities	334,673
Maintenance	970,942
Protective Services	47,256
General	249,755
Housing Assistance Payment	3,030,491
Depreciation	605,904
<b>Total Operating Expenses</b>	<b>6,505,099</b>
Operating Income (Loss)	<b>(606,549)</b>

**Non-Operating Revenues (Expenses)**

Interest and Investment Revenue	10,633
<b>Total Non-Operating Revenues (Expenses)</b>	<b>10,633</b>
Income (Loss) Before Contributions	<b>(595,916)</b>

Capital Grants	359,264
Change in Net Position	<b>(236,652)</b>

Total Net Position - Beginning of Year	<b>6,464,173</b>
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<b>Total Net Position - End of Year</b>	<b>\$ 6,227,521</b>
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See accompanying notes to the basic financial statements.

**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**Cash Flows from Operating Activities**

Cash from HUD and Other Governments	\$ 5,163,162
Cash from Tenants	834,559
Cash from Other Sources	49,458
Cash Paid for HAPs	(3,030,491)
Cash Paid for Administration	(968,978)
Cash Paid for Other Operating	(1,749,291)
<b>Net Cash Used by Operating Activities</b>	<b>298,419</b>

**Cash Flows from Capital and Related Financing Activities**

Acquisition of Capital Assets	(359,264)
Capital Grants Received	359,264
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>0</b>

**Cash Flows from Investing Activities**

Investment Income	10,633
<b>Net Cash Provided by Investing Activities</b>	<b>10,633</b>
Net Increase in Cash and Cash Equivalents	309,052

Cash and Cash Equivalents - Beginning of Year	2,160,288
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 2,469,340</b>

**Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities**

Net Operating Income (Loss)	\$ (606,549)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	605,904
(Increase) Decrease in Accounts Receivable	28,797
(Increase) Decrease in Prepaid Expenses and Other Assets	(6,486)
(Increase) Decrease in Deferred Outflows	228,317
Increase (Decrease) in Accounts Payable	23,400
Increase (Decrease) in Accrued Wages and Payroll Taxes	(32,461)
Increase (Decrease) in Unearned Revenue	120,107
Increase (Decrease) in Tenant Security Deposits	(275)
Increase (Decrease) in Pension and OPEB Liabilities	(362,269)
Increase (Decrease) in Deferred Inflows	287,372
Increase (Decrease) in Other Liabilities	12,562
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 298,419</b>

See accompanying notes to the basic financial statements.



**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

**Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

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

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

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

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

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

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

**Basis of Presentation**

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

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

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

**Measurement Focus/Basis of Accounting**

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

**Description of Programs**

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

*Public Housing Program*

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

*Capital Fund Program*

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

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

**Description of Programs** (Continued)

*Development*

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

*Housing Choice Voucher Program*

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

*PIH Family Self-Sufficiency*

A grant funded by HUD to enable families participating in the Public Housing and Housing Choice Voucher programs to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

*Central Office Cost Center (COCC)*

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

**Cash and Cash Equivalents**

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

**Restricted Assets**

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

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

**Tenant Receivables, Net of Allowance**

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was \$22,665 at year end 2020.

**Other Assets**

*Prepaid Expenses*

Payments made to vendors for services that will benefit periods beyond September 30, 2020, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase, and expense is reported in the year in which the services are consumed.

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

**Other Assets** (Continued)

*Inventory*

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

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

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

**Due From/To Other Programs**

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

**Compensated Absences**

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

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

**Net Position**

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

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

**Operating Revenues and Expenses**

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

**Capital Grants**

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

**Budgetary Accounting**

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

**Accounting and Reporting for Non-Exchange Transactions**

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

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

**Estimates**

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

**Pensions/Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statements of net position for pension and OPEB. The deferred outflows of resources related to pension are explained the Note 6 and related to OPEB in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 6 and 7).

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

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

1. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two periods of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**Deposits** (Continued)

At fiscal year-end September 30, 2020, the carrying amount of the Authority's deposits totaled \$2,469,340 (including petty cash of \$100) and its bank balance was \$2,480,504. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of September 30, 2020, a total of \$1,839,186 was exposed to custodial risk as discussed below, while \$641,318 was covered by Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 102 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve banks or at member banks of the Federal Reserve system, in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve in the name of the Authority.

**Investments**

The Authority had no investments at September 30, 2020.

NOTE 3: **RESTRICTED CASH AND INVESTMENT**

Restricted cash balance as of September 30, 2020 of \$325,374 represents cash on hand for the following:

Unspent HCV CARES Funding	\$ 120,107
Unspent Funding to pay HAPs	41,269
Tenant Security Deposit	68,450
FSS Escrow Held for Tenants	95,548
<b>Total Restricted Cash</b>	<b><u><u>\$ 325,374</u></u></b>

NOTE 4: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public official's liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance pool comprised of forty (40) housing authorities in Ohio, of which the Authority is a member.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year. Health, dental, vision and life insurance are offered to Authority employees through a commercial insurance company.

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

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**NOTE 5: CAPITAL ASSETS**

	Balance 9/30/19	Additions	Deletions	Balance 09/30/20
<b><u>Capital Assets Not Being Depreciated</u></b>				
Land	\$ 1,301,488	\$ 0	\$ 0	\$ 1,301,488
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,301,488</b>	<b>0</b>	<b>0</b>	<b>1,301,488</b>
<b><u>Capital Assets Being Depreciated</u></b>				
Buildings	25,721,961	359,264	0	26,081,225
Equipment	479,511	0	0	479,511
<b>Subtotal Capital Assets Being Depreciated</b>	<b>26,201,472</b>	<b>359,264</b>	<b>0</b>	<b>26,560,736</b>
Accumulated Depreciation -				
Buildings	(20,991,447)	(604,928)	0	(21,596,375)
Equipment	(477,231)	(976)	0	(478,207)
<b>Total Accumulated Depreciation</b>	<b>(21,468,678)</b>	<b>(605,904)</b>	<b>0</b>	<b>(22,074,582)</b>
<b>Net Depreciable</b>	<b>4,732,794</b>	<b>(246,640)</b>	<b>0</b>	<b>4,486,154</b>
<b>Total Capital Assets, Net</b>	<b>\$ 6,034,282</b>	<b>\$ (246,640)</b>	<b>\$ 0</b>	<b>\$ 5,787,642</b>

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

***Net Pension Liability***

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

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

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



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

*Net Pension Liability* (Continued)

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued liabilities.

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

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

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

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

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member’s pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

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

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 Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. 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 members' contributions plus or minus the investment gains or losses resulting from the members' 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. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
<b>2019-2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2019-2020 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
 Employee	 10.0 %

\* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

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**(CONTINUED)**

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for calendar years 2019-2020 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for calendar years 2019-2020. The Authority’s contractually required contributions used to fund pension benefits was \$94,310 for fiscal year ending September 30, 2020.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability:	
Prior Measurement Date	0.004748%
Proportion of the Net Pension Liability:	
Current Measurement Date	0.004640%
Change in Proportionate Share	-0.000108%
Proportionate Share of the Net Pension Liability	\$ 917,127
Pension Expense	\$ 144,675

At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

	OPERS Traditional Pension Plan
<b>Deferred Outflows of Resources</b>	
Changes of assumptions	\$ 48,986
Changes in proportion and differences between Authority contributions and proportionate share of contributions	13,376
Authority contributions subsequent to the measurement date	72,127
<b>Total Deferred Outflows of Resources</b>	<b>\$ 134,489</b>
 <b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 182,945
Differences between expected and actual experience	11,595
Changes in proportion and differences between Authority contributions and proportionate share of contributions	14,356
<b>Total Deferred Inflows of Resources</b>	<b>\$ 208,896</b>

\$72,127 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan
Year Ending September 30:	
2021	\$ (17,259)
2022	(64,211)
2023	7,577
2024	(72,641)
Total	<b>\$ (146,534)</b>

***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.

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

*Actuarial Assumptions – OPERS* (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 1.40 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
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 previously described tables.

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

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

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

*Actuarial Assumptions – OPERS* (Continued)

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care 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. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

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

*Actuarial Assumptions – OPERS* (Continued)

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	\$ 1,512,640	\$ 917,127	\$ 381,779

*Changes Between Measurement Date and Report Date*

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

NOTE 7: **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 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.



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

*Net OPEB Liability* (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in accrued liabilities.

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

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care is not being funded.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In calendar years 2019-2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar years 2019-2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019-2020 was 4.0 percent.

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

The Authority's contractually required contribution allocated to health care was \$0 for fiscal year 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.004615%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.004508%
Change in Proportionate Share	-0.000107%
Proportionate Share of the Net OPEB Liability	\$ 622,672
OPEB Expense	\$ 80,872

At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* (Continued)

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 18
Changes of assumptions	98,563
Changes in proportion and differences between Authority contributions and proportionate share of contributions	14,720
<b>Total Deferred Outflows of Resources</b>	<b>\$ 113,301</b>
<b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on OPEB plan investments	\$ 31,707
Differences between expected and actual experience	56,947
Changes in proportion and differences between Authority contributions and proportionate share of contributions	8,788
<b>Total Deferred Inflows of Resources</b>	<b>\$ 97,442</b>

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

	OPERS
Year Ending September 30:	
2021	\$ 25,056
2022	4,329
2023	24
2024	(13,550)
Total	<b>\$ 15,859</b>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

*Actuarial Assumptions – OPERS* (Continued)

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent initial, 3.50 percent ultimate in 2030
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.

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was 19.70 percent for 2019.

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

*Actuarial Assumptions – OPERS* (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees 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. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

**Discount Rate** A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single 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 the 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 single discount rate of 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

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

*Actuarial Assumptions – OPERS* (Continued)

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	\$ 751,934	\$ 622,672	\$ 457,156

***Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** 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 percent lower or 1.0 percent 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 2020 is 10.50 percent. 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 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 564,943	\$ 622,672	\$ 613,990

***Changes Between Measurement Date and Report Date***

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

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**NOTE 8: COMPENSATED ABSENCES**

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 3 months of employment. As of September 30, 2020, the accrual for compensated absences totaled \$36,870 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Position. The Authority considers all compensated absences payable as non-current.

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

The following is a summary of changes in long-term liabilities for the year ended September 30, 2020:

Description	Balance at 9/30/2019	Additions	Deletions	Balance at 9/30/2020	Amounts Due In One Year
Compensated Absences	\$ 35,321	\$ 42,432	\$ (40,883)	\$ 36,870	\$ 0
Net Pension Liability	1,300,381	0	(383,254)	917,127	0
OPEB Liability	601,687	20,985	0	622,672	0
FSS Escrows	124,517	56,067	(85,036)	95,548	0
	<u>\$ 2,061,906</u>	<u>\$ 119,484</u>	<u>\$ (509,173)</u>	<u>\$ 1,672,217</u>	<u>\$ 0</u>

**NOTE 10: OPERATING LEASES**

The Authority leases office equipment through operating leases. Minimum future rental payments under non-cancelable operating leases having terms in the excess of one year as of September 30, 2020 are:

FYE 2021	\$ 10,860
FYE 2022	10,860
FYE 2023	10,860
FYE 2024	6,855
	<u>\$ 39,435</u>

Rent expense for operating leases was \$10,895 for the year.

**NOTE 11: CONTINGENCIES**

**Grants**

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2020.

**Litigations and Claims**

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

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NOTE 12: **ECONOMIC DEPENDENCY**

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

NOTE 13: **COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Chillicothe MHA. The investments of the pension and other employee benefit plan in which the Authority participates fluctuate with market conditions, and due to market volatility, the amounts of gains or losses that will be recognized in subsequent period, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues and any recovery from emergency funding, either federal or state, cannot be estimated.



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

<b>Traditional Plan</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Authority's Proportion of the Net Pension Liability	0.004640%	0.004748%	0.004499%	0.004258%	0.433300%	0.387800%	0.387800%
Authority's Proportionate Share of the Net Pension Liability	\$ 917,127	\$ 1,300,382	\$ 705,806	\$ 969,919	\$ 750,530	\$ 467,730	\$ 457,166
Authority's Covered Payroll	\$ 652,786	\$ 641,256	\$ 594,553	\$ 550,498	\$ 539,324	\$ 475,398	\$ 521,662
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.49%	202.79%	118.71%	176.19%	139.16%	98.39%	87.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

**CHILlicothe METROPOLITAN HOUSING AUTHORITY  
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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION  
OHIO PUBLIC EMPLOYEES RETIRMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contributions	\$ 94,310	\$ 90,186	\$ 86,521	\$ 71,881	\$ 71,934	\$ 58,845	\$ 56,316	\$ 70,085	\$ 55,091	\$ 55,338
Contributions in Relation to the Contractually Required Contribution	<u>(94,310)</u>	<u>(90,186)</u>	<u>(86,521)</u>	<u>(71,881)</u>	<u>(71,934)</u>	<u>(58,845)</u>	<u>(56,316)</u>	<u>(70,085)</u>	<u>(55,091)</u>	<u>(55,338)</u>
Contribution Deficiency / (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority's Covered Payroll	\$ 673,643	\$ 644,186	\$ 629,244	\$ 563,773	\$ 599,450	\$ 490,375	\$ 469,300	\$ 539,115	\$ 550,910	\$ 553,380
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.75%	12.75%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%

See accompanying notes to the required supplementary information

**CHILlicothe METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST FOUR FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.004508%	0.004615%	0.004210%	0.004170%
Authority's Proportionate Share of the Net OPEB Liability	\$ 622,672	\$ 601,685	\$ 457,175	\$ 421,184
Authority's Covered Payroll	\$ 681,079	\$ 669,336	\$ 596,173	\$ 576,799
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.42%	89.89%	76.68%	73.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - OPEB  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 0	\$ 0	\$ 1,367	\$ 7,097	\$ 12,515	\$ 10,574
Contributions in Relation to the Contractually Required Contribution	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,367)</u>	<u>\$ (7,097)</u>	<u>\$ (12,515)</u>	<u>\$ (10,574)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority Covered Payroll	\$ 685,781	\$ 672,730	\$ 649,718	\$ 584,570	\$ 599,447	\$ 528,716
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.21%	1.21%	2.09%	2.00%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)***

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2020.

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%.

**CHILlicoTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
STATEMENT OF MODERNIZATION COSTS - COMPLETED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

	<u>OH16P024501-15</u>
Fund Approved	\$ 487,279
Funds Expended	487,279
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 487,279
Funds Expended	487,279
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
	<u>OH16P024501-16</u>
Fund Approved	\$ 521,824
Funds Expended	521,824
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 521,824
Funds Expended	521,824
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
	<u>OH16P024501-17</u>
Fund Approved	\$ 530,667
Funds Expended	530,667
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 530,667
Funds Expended	530,667
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Project has been completed.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL SCHEDULE**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**SEPTEMBER 30, 2020**

Chillicothe Metropolitan Housing Authority (OH024)	Project Total	14.PHC Public Housing CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	14.CCC Central Office Cost Center CARES Act Funding	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,351,874	-	-	-	-	413,680	-	378,412	2,143,966	-	2,143,966
113 Cash - Other Restricted	40,686	-	-	-	-	92,730	120,107	-	253,523	-	253,523
114 Cash - Tenant Security Deposits	68,450	-	-	-	-	-	-	-	68,450	-	68,450
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	3,401	-	-	3,401	-	3,401
<b>100 Total Cash</b>	<b>1,461,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509,811</b>	<b>120,107</b>	<b>378,412</b>	<b>2,469,340</b>	<b>-</b>	<b>2,469,340</b>
122 Accounts Receivable - HUD Other Projects	-	-	-	-	41,635	-	-	24,548	66,183	-	66,183
126 Accounts Receivable - Tenants	25,083	-	-	-	-	-	-	-	25,083	-	25,083
126.1 Allowance for Doubtful Accounts -Tenants	-9,250	-	-	-	-	-	-	-	-9,250	-	-9,250
126.2 Allowance for Doubtful Accounts - Other	-8,250	-	-	-	-	-	-	-	-8,250	-	-8,250
127 Notes, Loans, & Mortgages Receivable - Current	24,061	-	-	-	-	-	-	-	24,061	-	24,061
128 Fraud Recovery	-	-	-	-	-	8,000	-	-	8,000	-	8,000
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-5,165	-	-	-5,165	-	-5,165
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>31,644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,635</b>	<b>2,835</b>	<b>-</b>	<b>24,548</b>	<b>100,662</b>	<b>-</b>	<b>100,662</b>
142 Prepaid Expenses and Other Assets	14,179	-	-	-	-	-	-	2,248	16,427	-	16,427
143 Inventories	61,751	-	-	-	-	-	-	-	61,751	-	61,751
144 Inter Program Due From	-	-	-	-	-	-	-	334,215	334,215	-334,215	-
<b>150 Total Current Assets</b>	<b>1,568,584</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,635</b>	<b>512,646</b>	<b>120,107</b>	<b>739,423</b>	<b>2,982,395</b>	<b>-334,215</b>	<b>2,648,180</b>
161 Land	871,233	-	-	-	226,067	162,144	-	42,044	1,301,488	-	1,301,488
162 Buildings	23,148,675	-	-	-	1,512,371	-	-	1,420,179	26,081,225	-	26,081,225
163 Furniture, Equipment & Machinery - Dwellings	151,166	-	-	-	735	-	-	151,901	151,901	-	151,901
164 Furniture, Equipment & Machinery - Administration	128,867	-	-	-	-	5,201	-	193,542	327,610	-	327,610
166 Accumulated Depreciation	-19,724,214	-	-	-	-944,386	-5,201	-	-1,400,781	-22,074,582	-	-22,074,582
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>4,575,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>794,787</b>	<b>162,144</b>	<b>-</b>	<b>254,984</b>	<b>5,787,642</b>	<b>-</b>	<b>5,787,642</b>
200 Deferred Outflow of Resources	109,028	-	-	-	-	42,124	-	96,638	247,790	-	247,790
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>6,253,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>836,422</b>	<b>716,914</b>	<b>120,107</b>	<b>1,091,045</b>	<b>9,017,827</b>	<b>1,091,045</b>	<b>10,108,872</b>
312 Accounts Payable <= 90 Days	117,924	-	-	-	-	-	-	23,462	141,386	-	141,386
321 Accrued Wage/Payroll Taxes Payable	10,165	-	-	-	-	-	-	14,000	24,165	-	24,165
333 Accounts Payable - Other Government	120,027	-	-	-	-	-	-	-	120,027	-	120,027
341 Tenant Security Deposits	68,450	-	-	-	-	-	-	-	68,450	-	68,450
342 Unearned Revenue	-	-	-	-	-	-	120,107	-	120,107	-	120,107
345 Other Current Liabilities	-	-	-	-	-	3,401	-	-	3,401	-	3,401
347 Inter Program - Due To	-	-	-	-	41,635	292,580	-	-	334,215	-334,215	-
<b>310 Total Current Liabilities</b>	<b>316,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,635</b>	<b>295,981</b>	<b>120,107</b>	<b>37,462</b>	<b>811,751</b>	<b>-334,215</b>	<b>477,536</b>
353 Non-current Liabilities - Other	40,686	-	-	-	-	54,862	-	-	95,548	-	95,548
354 Accrued Compensated Absences - Non Current	13,437	-	-	-	-	10,564	-	12,869	36,870	-	36,870
357 Accrued Pension and OPEB Liabilities	677,511	-	-	-	-	261,766	-	600,522	1,539,799	-	1,539,799
<b>350 Total Non-Current Liabilities</b>	<b>731,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>327,192</b>	<b>-</b>	<b>613,391</b>	<b>1,672,217</b>	<b>-</b>	<b>1,672,217</b>
<b>300 Total Liabilities</b>	<b>1,048,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,635</b>	<b>623,173</b>	<b>120,107</b>	<b>650,853</b>	<b>2,483,968</b>	<b>-334,215</b>	<b>2,149,753</b>

**CHILlicothe METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL SCHEDULE**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**SEPTEMBER 30, 2020**

Chillicothe Metropolitan Housing Authority (OH024)	Project Total	14.PHC Public Housing CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	14.CCC Central Office Cost Center CARES Act Funding	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	134,789	-	-	-	-	52,077	-	119,472	306,338	-	306,338
508.4 Net Investment in Capital Assets	4,575,727	-	-	-	794,787	162,144	-	254,984	5,787,642	-	5,787,642
511.4 Restricted Net Position	-	-	-	-	-	37,868	-	-	37,868	-	37,868
512.4 Unrestricted Net Position	494,623	-	-	-	-	-158,348	-	65,736	402,011	-	402,011
<b>513 Total Equity - Net Assets / Position</b>	<b>5,070,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>794,787</b>	<b>41,664</b>	<b>-</b>	<b>320,720</b>	<b>6,227,521</b>	<b>-</b>	<b>6,227,521</b>
<b>600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net</b>	<b>6,253,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>836,422</b>	<b>716,914</b>	<b>120,107</b>	<b>1,091,045</b>	<b>9,017,827</b>	<b>-334,215</b>	<b>8,683,612</b>



**CHILlicothe METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL SCHEDULE**  
**ENTITY WIDE REVENUE AND EXPENSE SUMMARY**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Chillicothe Metropolitan Housing Authority (OH024)	Project Total	14.PHC Public Housing CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	14.CCC Central Office Cost Center CARES Act Funding	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	750,115	-	-	-	-	-	-	-	750,115	-	750,115
70400 Tenant Revenue - Other	92,025	-	-	-	-	-	-	-	92,025	-	92,025
<b>70500 Total Tenant Revenue</b>	<b>842,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>842,140</b>	<b>-</b>	<b>842,140</b>
70600 HUD PHA Operating Grants	1,537,540	42,667	90,307	-	-	3,313,290	23,148	-	5,006,952	-	5,006,952
70610 Capital Grants	359,264	-	-	-	-	-	-	-	359,264	-	359,264
70710 Management Fee	-	-	-	-	-	-	-	379,203	379,203	-379,203	-
70720 Asset Management Fee	-	-	-	-	-	-	-	45,960	45,960	-45,960	-
70730 Book Keeping Fee	-	-	-	-	-	-	-	33,361	33,361	-33,361	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	12,782	12,782	-12,782	-
<b>70700 Total Fee Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>471,306</b>	<b>471,306</b>	<b>-471,306</b>	<b>-</b>
71100 Investment Income - Unrestricted	68	-	-	-	-	53	-	10,512	10,633	-	10,633
71400 Fraud Recovery	-	-	-	-	-	19,586	-	-	19,586	-	19,586
71500 Other Revenue	9,000	-	-	-	-	6,347	-	14,525	29,872	-	29,872
<b>70000 Total Revenue</b>	<b>2,748,012</b>	<b>42,667</b>	<b>90,307</b>	<b>-</b>	<b>-</b>	<b>3,339,276</b>	<b>23,148</b>	<b>496,343</b>	<b>6,739,753</b>	<b>-471,306</b>	<b>6,268,447</b>
91100 Administrative Salaries	114,415	-	-	-	-	124,677	-	222,754	461,846	-	461,846
91200 Auditing Fees	8,151	-	-	-	-	3,135	-	3,522	14,808	-	14,808
91300 Management Fee	333,471	-	-	-	-	45,732	-	-	379,203	-379,203	-
91310 Book-keeping Fee	33,361	-	-	-	-	-	-	-	33,361	-33,361	-
91400 Advertising and Marketing	109	-	-	-	-	243	-	219	571	-	571
91500 Employee Benefit contributions - Administrative	74,572	-	-	-	-	93,148	-	156,724	324,444	-	324,444
91600 Office Expenses	76,593	-	-	-	-	25,468	-	48,875	150,936	-	150,936
91700 Legal Expense	3,849	-	-	-	-	1,350	-	59	5,258	-	5,258
91800 Travel	1,481	-	-	-	-	317	-	899	2,697	-	2,697
91900 Other	38,116	-	-	-	-	29,136	-	9,977	77,229	-	77,229
<b>91000 Total Operating - Administrative</b>	<b>684,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>323,206</b>	<b>-</b>	<b>443,029</b>	<b>1,450,353</b>	<b>-412,564</b>	<b>1,037,789</b>
92000 Asset Management Fee	45,960	-	-	-	-	-	-	-	45,960	-45,960	-
92100 Tenant Services - Salaries	21,200	-	55,921	-	-	-	-	-	77,121	-	77,121
92300 Employee Benefit Contributions - Tenant Services	10,889	-	34,386	-	-	-	-	-	45,275	-	45,275
92400 Tenant Services - Other	3,192	69,380	-	10,173	-	-	23,148	-	105,893	-	105,893
<b>92500 Total Tenant Services</b>	<b>35,281</b>	<b>69,380</b>	<b>90,307</b>	<b>10,173</b>	<b>-</b>	<b>-</b>	<b>23,148</b>	<b>-</b>	<b>228,289</b>	<b>-</b>	<b>228,289</b>
93100 Water	69,391	-	-	-	-	-	-	698	70,089	-	70,089
93200 Electricity	163,637	-	-	-	-	-	-	10,612	174,249	-	174,249
93300 Gas	14,848	-	-	-	-	-	-	2,109	16,957	-	16,957
93600 Sewer	72,838	-	-	-	-	-	-	540	73,378	-	73,378
<b>93000 Total Utilities</b>	<b>320,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,959</b>	<b>334,673</b>	<b>-</b>	<b>334,673</b>
94100 Ordinary Maintenance and Operations - Labor	172,537	-	-	-	-	-	-	-	172,537	-	172,537
94200 Ordinary Maintenance and Operations - Materials and Other	124,145	-	-	-	-	-	-	1,801	125,946	-	125,946
94300 Ordinary Maintenance and Operations Contracts	431,978	-	-	-	-	-	-	10,319	442,297	-12,782	429,515
94500 Employee Benefit Contributions - Ordinary Maintenance	112,580	-	-	-	-	-	-	-	112,580	-	112,580
<b>94000 Total Maintenance</b>	<b>841,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,120</b>	<b>853,360</b>	<b>-12,782</b>	<b>840,578</b>
95200 Protective Services - Other Contract Costs	47,256	-	-	-	-	-	-	-	47,256	-	47,256
<b>95000 Total Protective Services</b>	<b>47,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,256</b>	<b>-</b>	<b>47,256</b>

**CHILlicothe METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Chillicothe Metropolitan Housing Authority (OH024)	Project Total	14.PHC Public Housing CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	14.CCC Central Office Cost Center CARES Act Funding	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
96110 Property Insurance	84,157	-	-	-	-	-	-	7,432	91,589	-	91,589
96130 Workmen's Compensation	2,718	-	-	-	-	-	-	-	2,718	-	2,718
<b>96100 Total insurance Premiums</b>	<b>86,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,432</b>	<b>94,307</b>	<b>-</b>	<b>94,307</b>
96200 Other General Expenses	-	-	-	-	-	8,232	-	-	8,232	-	8,232
96210 Compensated Absences	-	-	-	-	-	2,726	-	1,450	4,176	-	4,176
96300 Payments in Lieu of Taxes	45,075	-	-	-	-	-	-	-	45,075	-	45,075
96400 Bad debt - Tenant Rents	94,489	-	-	-	-	-	-	-	94,489	-	94,489
96800 Severance Expense	-	-	-	-	-	-	-	3,476	3,476	-	3,476
<b>96000 Total Other General Expenses</b>	<b>139,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,958</b>	<b>-</b>	<b>4,926</b>	<b>155,448</b>	<b>-</b>	<b>155,448</b>
<b>96900 Total Operating Expenses</b>	<b>2,201,008</b>	<b>69,380</b>	<b>90,307</b>	<b>10,173</b>	<b>-</b>	<b>334,164</b>	<b>23,148</b>	<b>481,466</b>	<b>3,209,646</b>	<b>-471,306</b>	<b>2,738,340</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>547,004</b>	<b>-26,713</b>	<b>-</b>	<b>-10,173</b>	<b>-</b>	<b>3,005,112</b>	<b>-</b>	<b>14,877</b>	<b>3,530,107</b>	<b>-</b>	<b>3,530,107</b>
97100 Extraordinary Maintenance	130,364	-	-	-	-	-	-	-	130,364	-	130,364
97300 Housing Assistance Payments	-	-	-	-	-	3,030,491	-	-	3,030,491	-	3,030,491
97400 Depreciation Expense	555,265	-	-	-	27,743	-	-	22,896	605,904	-	605,904
<b>90000 Total Expenses</b>	<b>2,886,637</b>	<b>69,380</b>	<b>90,307</b>	<b>10,173</b>	<b>27,743</b>	<b>3,364,655</b>	<b>23,148</b>	<b>504,362</b>	<b>6,976,405</b>	<b>-471,306</b>	<b>6,505,099</b>
10010 Operating Transfer In	98,004	26,713	-	10,173	-	-	-	-	134,890	-134,890	-
10020 Operating transfer Out	-124,717	-	-	-	-	-	-	-10,173	-134,890	134,890	-
<b>10100 Total Other financing Sources (Uses)</b>	<b>-26,713</b>	<b>26,713</b>	<b>-</b>	<b>10,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10,173</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>-165,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-27,743</b>	<b>-25,379</b>	<b>-</b>	<b>-18,192</b>	<b>-236,652</b>	<b>-</b>	<b>-236,652</b>
11030 Beginning Equity	5,235,688	-	-	-	822,530	67,043	-	338,912	6,464,173	-	6,464,173
11170 Administrative Fee Equity	-	-	-	-	-	3,796	-	-	3,796	-	3,796
11180 Housing Assistance Payments Equity	-	-	-	-	-	37,868	-	-	37,868	-	37,868
11190 Unit Months Available	4,596	-	-	-	-	6,732	-	-	11,328	-	11,328
11210 Number of Unit Months Leased	4,448	-	-	-	-	6,583	-	-	11,031	-	11,031

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

<b>Federal Grantor/ Pass Through Grantor/ Program/Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs</i>		
Family Self-Sufficiency Program	14.896	\$ 90,307
Public and Indian Housing	14.850	1,196,610
Public and Indian Housing - CARES Act	14.850	42,667
<i>Total CFDA #14.850</i>		<u>1,239,277</u>
Public Housing Capital Fund	14.872	<u>700,194</u>
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	3,313,290
Section 8 Housing Choice Vouchers - CARES Act	14.871	23,148
Total Housing Voucher Cluster		<u>3,336,438</u>
<i>Total Direct Programs</i>		<u>5,366,216</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>\$ 5,366,216</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 5,366,216</u></u>

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

**CHILlicothe METROPOLITAN HOUSING AUTHORITY**  
**ROSS COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Chillicothe Metropolitan Housing Authority under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Chillicothe Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Chillicothe Metropolitan Housing Authority.

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

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

**NOTE 3: INDIRECT COST RATE**

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

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Chillicothe Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 19, 2021.

***Internal Control Over Financial Reporting***

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

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

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

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

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

### ***Purpose of This Report***

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



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

March 19, 2021

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

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

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

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

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

We have audited the Chillicothe Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Chillicothe Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

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

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

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

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

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



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

March 19, 2021



**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONS COSTS  
SEPTEMBER 30, 2020**

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

2020(i)	Type of Financial Statement Opinion	Unmodified
2020(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2020(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2020(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2020(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2020(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2020(v)	Type of Major Programs' Compliance Opinion	Unmodified
2020(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2020(vii)	Major Programs (list):  Housing Voucher Cluster: Section 8 Housing Choice Vouchers - CFDA #14.871 Section 8 Housing Choice Vouchers - CARES Act - CFDA #14.871	
2020(viii)	Dollar Threshold: Type A\B Programs	Type A: \$750,000 Type B: All Others
2020(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**CHILlicothe METROPOLITAN HOUSING AUTHORITY  
ROSS COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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The prior audit for the period ended September 30, 2019, had no findings or management letter recommendations.

# OHIO AUDITOR OF STATE KEITH FABER



**CHILlicothe METROPOLITAN HOUSING AUTHORITY**

**ROSS COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/6/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)