

CONSORTIUM OF NORTHWEST OHIO

Financial Condition

As of

June 30, 2016

Together with Auditors' Report





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Consortium of Northwest Ohio, Henry County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 8, 2017

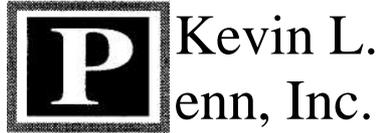
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**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY**

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## **Independent Auditor's Report**

Board of Trustees  
Consortium of Northwest Ohio  
Henry County

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of the business-type activities of Consortium of Northwest Ohio, Henry County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Consortium of Northwest Ohio's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Consortium of Northwest Ohio, Henry County, Ohio as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, on pages 4 through 10 and Schedules of the Authority's Proportionate Share of the Net Pension Liability and the Authority's Pension Contributions to the Ohio Public Employees Retirement System on pages 25 and 26, be presented to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

### *Supplementary*

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

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2016 on my consideration of the Consortium of Northwest Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium of Northwest Ohio's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

November 18, 2016

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Consortium’s financial statements (beginning on page 11)

**FINANCIAL HIGHLIGHTS**

- During FY 2016, the Consortium’s net position increased by \$34,536. Since the Consortium engages only in business-type activities, the increase is all in the category of business-type net position. Net positions were \$7,647 and \$42,183 for FY 2015 and FY 2016 respectively.
- The revenue increased by \$211,102 (or 13.2%) during FY 2016, and was \$1,599,046 and \$1,810,148 for FY 2015 and FY 2016 respectively.
- Total expenses increased by \$162,835 (or 10.10%) during FY2016 and were \$1,612,777 and \$1,775,612 for FY 2015 and FY 2016 respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

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

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

**BASIC FINANCIAL STATEMENTS**

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

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

The focus of the Statement of Net Position (the "Unrestricted" portion) is designed to represent the net available liquid (non-capital) assets and deferred outflows, net of liabilities and deferred inflows, for the entire Consortium. Net Position is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Consortium does not have any outstanding debt.

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

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

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

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

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

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

**Housing Choice Voucher Program** – Under the Housing Choice Voucher Program, the Consortium administers contracts with independent landlords that own the property. The Consortium subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Consortium to structure a lease that sets the participants' rent at 30% of adjusted household income.

**CONSORTIUM OF NORTHWEST OHIO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business Activities:**-The Business Activity account was set up to separate the non-HUD activities from the HUD funded programs. This account represents resources developed from management of the other Authorities in the Consortium and inspection services provided to other entities.

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

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government.

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In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

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

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 184,117	\$ 141,965
Capital Assets	14,295	18,687
Deferred Outflow of Resources	63,713	16,285
Total Assets	<u>262,125</u>	<u>176,937</u>
Current Liabilities	12,724	16,389
Non-Current Liabilities	203,721	150,574
Deferred Inflow of Resources	3,497	2,327
Total Liabilities	<u>219,942</u>	<u>169,290</u>
Net position:		
Invested in Capital Assets	14,295	17,641
Restricted – HAP	7,144	25,222
Unrestricted	20,744	(35,216)
Total Net Position	<u>\$42,183</u>	<u>\$7,647</u>

**Major Factors Affecting the Statement of Net Position**

Current and other assets increased by \$42,152 or a 29.69% increase in fiscal year 2016. This is the result of the addition of the SRO program during the year along with the current year's surplus. The change in the Capital Assets, Net is detailed later in the MDA discussion and this year's depreciation expense represents the change during the year. Current year Pension Liability increases and Compensated Absences increase resulted in the \$53,147 or 35.30% increase in Non-current liabilities.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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While the result of operations is a significant measure of the Consortium's activities, the analysis of the changes in Unrestricted and Restricted Net Position provides a clearer change in financial well-being.

**CHANGE OF UNRESTRICTED NET POSITION**

Unrestricted Net position June 30, 2015		\$ (35,216)
Results of Operations	34,848	
Adjustments:		
Depreciation (1)	4,392	
SRO equity addition (2)	<u>17,766</u>	
Adjusted Results from Operations		57,006
Retirement of Debt		(1,046)
Capital Expenditures		<u>(0)</u>
Unrestricted Net position June 30, 2016		<u><u>\$20,744</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net position.  
(2) SRO program transferred from Fulton MHA received Unrestricted reserve balance.

**CHANGE OF RESTRICTED NET POSITION**

Restricted Net position June 30, 2015		\$ 25,222
Results of Operations		
HAP reserves spent	\$(20,146)	
Fraud Recovery Payments	<u>2,068</u>	
Adjusted Results from Operations		<u>(18,078)</u>
Restricted Net position June 30, 2016		<u><u>\$ 7,144</u></u>

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**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

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

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

	FY 2016	FY 2015
<b>Revenues</b>		
HUD PHA Operating Grants	\$1,787,508	\$1,593,174
Investment Income	93	101
Other Revenues	22,547	5,771
Total Revenue	1,810,148	1,599,046
<b>Expenses</b>		
Administrative	239,033	241,076
Maintenance & operations	11,047	12,397
General(Insurance & Comp abs)	14,199	7,481
Housing Assistance Payments	1,506,935	1,347,296
Depreciation	4,392	4,393
Interest	6	134
Total Expenses	1,775,612	1,612,777
Net Increase/(Decrease)	\$ 34,536	\$ (13,731)
Net Position at July 1	7,647	21,378
Net Position at June 30	\$42,183	\$7,647

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

HUD PHA Operating Grants increased by 194,334 or 12.2% in fiscal year 2016 due funding increases for the HCV program and the addition of the SRO program. This was also the cause of the Housing Assistance Payments increases of \$159,639 or 11.85% in fiscal year 2016.

Leasing increased 6.62% in 2016, total unit months leased were 5490 compared to 5149 unit months leased in 2015.

The \$34,536 increase in net position is the result of an \$18,078 decrease to restricted housing assistance payment funds (NRP) and a \$52,614 increase to administrative operations.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2016, the Consortium had \$14,295 invested in capital assets as reflected in the following schedule, which represents a net decrease from fiscal year 2016. (Additions, deductions and depreciation).

**CAPITAL ASSETS AT FISCAL YEAR-END  
(NET OF ACCUMULATED DEPRECIATION)**

Business-type Activities:

	<u>FY 2016</u>	<u>FY 2015</u>
Land/Building	\$84,511	\$84,511
Equipment & Furniture	31,550	31,550
Building Improvements	53,241	53,241
Accumulated Depreciation	<u>(155,007)</u>	<u>(150,615)</u>
	<u>\$14,295</u>	<u>\$18,687</u>

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

**CHANGE IN CAPITAL ASSETS**

Beginning Balance as of July 1, 2015	\$18,687
Additions	0
Depreciation	<u>(4,392)</u>
Ending Balance as of June30,2016	<u>\$14,295</u>

**Debt Outstanding**

As of June 30, 2016, the Consortium has no outstanding debt (bonds, notes, etc.). The mortgage was paid off FY 2016.

**ECONOMIC FACTORS**

Significant economic factors affecting the Consortium are as follows:

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

**FINANCIAL CONTACT**

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

CONSORTIUM OF NORTHWEST OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2016

ASSETS

**Current Position**

Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 166,338
Restricted Cash (Note 1)	7,144
Intergovernmental Receivable	4,930
Prepaid Expenses	5,705
Total Current Position	<u>184,117</u>

**Non-Current Assets**

Depreciable Capital Assets	169,302
Accumulated Depreciation	<u>(155,007)</u>
Total Capital Assets	<u>14,295</u>
Total Non-Current Assets	<u>14,295</u>

Total Assets	<u>198,412</u>
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Deferred Outflow of Resources	<u>63,713</u>
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<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u><u>\$ 262,125</u></u>
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LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION

**Current Liabilities**

Accounts Payable	\$ 5,266
Accrued Wages and Payroll Taxes	2,409
Intergovernmental Payable	526
Accrued Compensated Absences	4,523
Total Current Liabilities	<u>12,724</u>

**Non-Current Liabilities**

Accrued Compensated Absences	22,714
Net Pension Liability	<u>181,007</u>
Total Non-Current Liabilities	<u>203,721</u>
Total Liabilities	<u><u>\$ 216,445</u></u>

Deferred Inflow of Resources	<u><u>\$ 3,497</u></u>
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**Net Position**

Net Investment in Capital Assets	\$ 14,295
Restricted	7,144
Unrestricted	<u>20,744</u>
Total Net Position	<u><u>\$ 42,183</u></u>

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

CONSORTIUM OF NORTHWEST OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

**Operating Revenue:**

HUD Operating Subsidies and Grants	\$ 1,787,508
Other Revenue	22,547
Total Operating Revenue	<u>1,810,055</u>

**Operating Expenses:**

Housing Assistance Payments	1,506,935
Salaries	133,097
Employee Benefits	56,647
Other Administrative Expense	53,812
Material and Labor - Maintenance	11,047
Depreciation Expense	4,392
General Expenses	9,676
Total Operating Expenses	<u>1,775,606</u>

Operating Income (Loss)	34,449
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Non-Operating Revenues (Expenses)

Interest Revenue	93
Interest Expense	(6)
Total Non-Operating Revenues (Expenses)	<u>87</u>

Change in Net Position	34,536
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Net Position - Beginning of Year	<u>7,647</u>
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Net Position - End of Year	<u>\$ 42,183</u>
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The accompanying notes are an integral part of the financial statements.

CONSORTIUM OF NORTHWEST OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:	
Cash Received from HUD	\$ 1,793,501
Cash Received from Other Income	22,547
Cash Payments for Housing assistance payments	(1,506,935)
Cash Payments for Administrative	(239,477)
Cash Payments for Other Operating Expenses	<u>(20,723)</u>
Net Cash Provided (Used) by Operating Activities	48,913
Cash Flows From Capital and Related Financing Activities:	
Repayment of Long Term Debt	(1,046)
Interest Expense	<u>(6)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,052)
Cash Flows From Investing Activities:	
Investment Income	<u>93</u>
Net Cash Provided (Used) by Investing Activities	93
Increase (Decrease) in Cash and Cash Equivalents	47,954
Cash and Cash Equivalents - Beginning of Year	<u>125,528</u>
Cash and Cash Equivalents - End of Year	<u>\$ 173,482</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 34,449
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	4,392
(Increase) decrease in:	
Accounts Receivable	5,993
Prepaid Expenses	(191)
Deferred Outflow of Resources	(47,428)
Increase (decrease) in:	
Accounts Payable	443
Intergovernmental Payable	(2,778)
Compensated Absences	4,523
Accrued Expenses	(236)
Net Pension Liability	48,576
Deferred Inflow of Resources	<u>1,170</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,913</u>

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

The Consortium was created under the Ohio Revised Code, Section 3735.27. The Consortium contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Consortium depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Consortium is financially accountable. This report includes all activities considered by management to be part of the Consortium by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

Fund Accounting

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

*Proprietary Fund Types:*

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

*Enterprise Fund* – The Consortium is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Consortium are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the Consortium finances and meets cash flow needs.

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

Basis of Consolidation

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

Accounting and Reporting for Nonexchange Transactions

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

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

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

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal yearend of \$7,144 represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Consortium first applies restricted resources. The Consortium did not have net position restricted by enabling legislature at June 30, 2016.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Estimates

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

Prepaid Items

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

Accounts Receivable

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Consortium had restricted assets for Housing Assistance Payment equity balances of \$7,144.

Operating Revenues and Expenses

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

Pensions – Deferred Inflow/Outflow of Resources

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

**2. CASH AND CASH EQUIVALENTS**

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**2. CASH AND CASH EQUIVALENTS-CONTINUED**

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

Cash and cash equivalents included in the Consortium's cash position at June 30, 2016 are as follows:

Demand deposits:	<u>Checking</u>	<u>Savings</u>
Bank balance	\$ 150,828	\$ 31,697
Items-in-transit	(9,093)	-
Carrying balance	<u>\$ 141,735</u>	<u>\$ 31,697</u>

In addition, the Consortium maintains \$50 in petty cash funds. The fiscal year-end cash balance of \$180,525 was covered by federal deposit insurance.

Based on the Consortium having only demand deposits at June 30, 2016, the Consortium is not subject to interest rate, credit, concentration, or custodial credit risks.

**3. CAPITAL ASSETS**

The following is a summary of capital assets at June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2016</u>
<b>Capital Assets Depreciated</b>				
Building	84,511	-	-	84,511
Building Improvements	53,241	-	-	53,241
Furniture, fixtures, and equipment	<u>31,550</u>	<u>-</u>	<u>-</u>	<u>31,550</u>
<b>Total Capital Assets Depreciated</b>	<u>169,302</u>	<u>-</u>	<u>-</u>	<u>169,302</u>
<b>Accumulated Depreciation</b>				
Building	(67,464)	(4,266)	-	(71,730)
Building Improvements	(52,102)	(126)	-	(52,228)
Furniture, fixtures, and equipment	<u>(31,049)</u>	<u>(0)</u>	<u>-</u>	<u>(31,049)</u>
<b>Total Accumulated Depreciation</b>	<u>(150,615)</u>	<u>(4,392)</u>	<u>-</u>	<u>(155,007)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 18,687</u>	<u>\$ (4,392)</u>		<u>\$ 14,295</u>

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**4. LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities at June 30, 2016:

	Balance at July 1, 2015	Additions	Deductions	Balance at June 30, 2016	Due in One Year
Compensated Absences	\$ 22,714	\$ 9,094	\$ (4,571)	\$ 27,237	\$ 4,523
Net Pension Liability	132,431	48,576		181,007	
Mortgage Note Payable	<u>1,046</u>	<u>0</u>	<u>(1,046)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 156,191</u>	<u>\$ 57,670</u>	<u>\$ (5,617)</u>	<u>\$ 208,244</u>	<u>\$ 4,523</u>

See Note 5 for information on the Consortium’s net pension liability.

**5. DEFINED BENEFIT PENSION PLAN**

*Net Pension Liability*

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

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

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

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**5. DEFINED BENEFIT PENSION PLAN – CONTINUED**

*Plan Description* – All employees of the Consortium are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides age and service retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Consortium to establish and amend benefits is provided by Ohio Revised Code Chapter 145. OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position. That report can be obtained by visiting the OPERS website at [www.opers.org](http://www.opers.org).

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Consortium is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the PERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the contribution rate consistent across all three plans.

The Consortium’s contractually required contribution to OPERS was \$18,000 for fiscal year 2016. Of this amount \$1,565 is reported within accounts payable.

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

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Consortium’s proportion of the net pension liability was based on the Consortium’s share of the contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional Plan</u>
Proportionate Share of the Net Pension Liability	\$181,007
Proportion of the Net Pension Liability	0.0010450%
Pension Expense	\$25,433

The Consortium’s employees have only participated in the Traditional Plan.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**5. DEFINED BENEFIT PENSION PLAN – CONTINUED**

At June 30, 2016, the Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 53,205
Authority contributions subsequent to the measurement date	10,508
<b>Total Deferred Outflows of Resources</b>	<b>\$ 63,713</b>

	<b>Total Deferred Inflows</b>
Difference between expected and actual experience	\$3,497

The \$10,508 reported as deferred outflows of resources resulting from Consortium contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Under the Traditional Pension Plan, the 2015 amortization period for the difference between expected and actual experience is 3.1673 years, and 5 years for the net difference between projected and actual investment earning on pension plan investments. Other amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2016	\$ (9,537)
2017	(9,537)
2018	(9,537)
2019	(10,456)
2020	(10,641)
<b>Total</b>	<b>\$ (49,708)</b>

***Actuarial Assumptions***

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Price Inflation	3.00 percent
Investment Rate of Return	8.00 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Special tables are used for the period after disability retirement and post-retirement mortality. The most recent experience study was completed December 31, 2010.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**5. DEFINED BENEFIT PENSION PLAN – CONTINUED**

The long-term return expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation for 2015	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
<b>TOTAL</b>	<b>100.00%</b>	<b>5.27%</b>

**Discount Rate** The total pension liability was calculated using the discount rate of 8 percent. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Consortium’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8 percent, as well as what the Consortium’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Authority's proportionate share of the net pension liability	\$ 288,389	\$ 181,007	\$ 90,434

**Plan Fiduciary Net Position** Detailed information about the Plan’s fiduciary net position is available in the separately issued OPERS’s financial report.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**5. DEFINED BENEFIT PENSION PLAN – CONTINUED**

*Other Post Retirement Benefits* – In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten 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-Retirement Employment

Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Consortium to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory Consortium requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan and Combined Plan was 2% during calendar year 2014 (latest information available). Effective January 1, 2016, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Employer contributions made to fund post-employment benefits were approximately \$2,570.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions towards the health care fund after the end of the transition period.

**6. CONTINGENT LIABILITIES**

**A. Grants**

Amounts grantor agencies pay to the Consortium are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Consortium at June 30, 2016.

**B. Litigation**

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**7. RISK MANAGEMENT**

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and nature disaster. During fiscal year 2016, the Consortium purchased commercial insurance for vehicle, health, general liability, building contents, and real property insurance.

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

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

**8. SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 18, 2016, the date on which the financial statements were available to be issued.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015 AND 2016  
(UNAUDITED)**

	<u>2015</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.0010980%	0.0010450%
Authority's Proportionate Share of the Net Pension Liability	\$ 132,431	\$ 181,007
Authority's Covered Employee Payroll	\$ 132,556	\$ 128,574
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	95.07%	140.78%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	86.45%	81.08%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required employer contribution	\$ 18,000	\$ 18,558	\$20,399	\$ 20,476	\$21,265	\$ 21,027	\$ 20,540	\$ 19,937	\$18,914	\$ 22,562
Contributions in relation to the contractually required contribution	\$(18,000)	\$ (18,558)	\$(20,399)	\$(20,476)	\$(21,265)	\$(21,027)	\$(20,540)	\$(19,937)	\$(18,914)	\$(22,562)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority covered-employee payroll	\$128,571	\$ 132,557	\$145,707	\$146,257	\$151,893	\$150,193	\$146,714	\$142,407	\$135,876	\$162,083
Contribution as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%	13.92%

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**Ohio Public Employees' Retirement System**

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

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2016 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2016 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Consortium of Northwest Ohio  
Consolidating Statement of Net Position  
June 30, 2016

Account Description	Henry Metropolitan Housing Authority	Bowling Green Housing Authority	Williams Metropolitan Housing Authority	Eliminations	Consolidated Consortium's TOTALS
<b>Current Assets</b>					
Cash - Unrestricted	\$ 102,336	\$ 6,318	\$ 57,684	\$ -	\$ 166,338
Cash - Restricted	422	377	6,345		7,144
Total Cash	102,758	6,695	64,029	-	173,482
Intergovernmental Receivable	304		778	(1,082)	-
<b>Accounts Receivable</b>					
Accounts Receivable - HUD Other Project	3,329	1,124	477		4,930
Fraud Recovery	4,498	353	1,686		6,537
Allowance for Doubtful Accounts	(4,498)	(353)	(1,686)	-	(6,537)
Total Receivables, Net of Allowance for Doubtful Accounts	3,329	1,124	477	-	4,930
Prepaid Expenses	5,705				5,705
<b>Total Current Assets</b>	111,792	7,819	64,506	-	184,117
<b>Capital Assets</b>					
Buildings	84,511				84,511
F/E/M Admin.	18,792	-	12,758	-	31,550
Leasehold Improvements	53,241				53,241
Accum. Depreciation	(142,749)		(12,258)		(155,007)
Total Capital Assets, Net of Accumulated Depreciation	13,795	-	500	-	14,295
Total Assets	125,587	7,819	65,006	-	198,412
Deferred Outflow of Resources	63,713				63,713
<b>Current Liabilities</b>					
A/P <= 90 days	5,266	-	-		5,266
Accrued Wage/Taxes Payable	2,409				2,409
Accrued Comp Abs. - Current	4,523				4,523
Accounts Payable – HUD	526				526
Intergovernmental Payable	778	304		(1,082)	-
Total Current Liabilities	13,502	304	-	(1,082)	12,724
<b>Non-Current Liabilities</b>					
Accrued Comp Abs. - Noncurrent	22,714				22,714
Accrued Pension	181,007				181,007
Total Non-Current Liabilities	203,721	-	-	-	203,721
Total Liabilities	217,223	304	-	(1,082)	216,445
Deferred Inflow of Resources	3,497				3,497
Invested in Capital Assets Net	13,795		500		14,295
Restricted Net Position	422	377	6,345		7,144
Unrestricted Net Position	(45,333)	7,138	58,939		20,744
Total Net Position	\$ (31,116)	\$ 7,515	\$ 65,784	\$ -	\$ 42,183

Consortium of Northwest Ohio  
Consolidating Statement of Revenue and Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2016

<u>Account Description</u>	<u>Henry Metropolitan Housing Authority</u>	<u>Bowling Green Housing Authority</u>	<u>Williams Metropolitan Housing Authority</u>	<u>Eliminations</u>	<u>Consolidated Consortium's TOTALS</u>
Revenue					
HUD Operating Subsidies and Grants	\$ 856,118	\$ 445,659	\$ 485,731	\$ -	\$ 1,787,508
Other Revenue					
Fraud Recovery	2,698	572	866		4,136
Other Revenue	<u>172,097</u>			<u>(153,686)</u>	<u>18,411</u>
Total Other Revenue	<u>174,795</u>	<u>572</u>	<u>866</u>	<u>(153,686)</u>	<u>22,547</u>
<b>TOTAL REVENUE</b>	<b>1,030,913</b>	<b>446,231</b>	<b>486,597</b>	<b>(153,686)</b>	<b>1,810,055</b>
Expenses					
Housing Assistance Payments	722,384	375,368	409,183		1,506,935
Administrative Salaries	128,574				128,574
Compensated Absences	<u>4,523</u>				<u>4,523</u>
Total Salaries	<u>133,097</u>	-	-	-	<u>133,097</u>
Employee Benefits	56,647				56,647
Administrative Expenses					
Audit Fee	6,949				6,949
Management Fees		71,167	82,519	(153,686)	-
Advertisement & Marketing	703				703
Office Expenses	26,295	109	120		26,524
Travel	1,384				1,384
Other	<u>18,252</u>				<u>18,252</u>
Total Administrative Expenses	<u>53,583</u>	<u>71,276</u>	<u>82,639</u>	<u>(153,686)</u>	<u>53,812</u>
Ordinary Maintenance and Operations					
Materials and Other	11,047	-	-	-	11,047
Depreciation Expense	4,392	-	-	-	4,392
General					
Insurance Premiums	<u>9,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,676</u>
Total Operating Expenses	990,826	446,644	491,822	(153,686)	1,775,606
Non-Operating Revenues (Expenses)					
Interest Revenue	50	7	36	-	93
Interest Expense	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>
Total Non-Operating Revenues (Expenses)	<u>44</u>	<u>7</u>	<u>36</u>	<u>-</u>	<u>87</u>
Change in Net Position	40,131	(406)	(5,189)	-	34,536
Net Position - Beginning of Year	<u>(71,247)</u>	<u>7,921</u>	<u>70,973</u>	<u>-</u>	<u>7,647</u>
Net Position - End of Year	<u>\$ (31,116)</u>	<u>\$ 7,515</u>	<u>\$ 65,784</u>	<u>\$ -</u>	<u>\$ 42,183</u>

Consortium of Northwest Ohio  
Henry County  
Entity Wide Balance Sheet Summary  
FDS Schedule Submitted to HUD  
June 30, 2016

<u>Line item</u>	<u>Account Description</u>	<b>Bowling Green Section 8 14.871 Housing Choice Voucher</b>
	Current Assets	
111	Cash - Unrestricted	\$ 6,318
113	Cash - Restricted	377
100	Total Cash	<u>6,695</u>
	Accounts Receivable	
122	HUD Other Project	1,124
128	Fraud Recovery	353
128.1	Allow Doubtful Accounts	(353)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>1,124</u>
<b>150</b>	<b>Total Current Assets</b>	<u><u>7,819</u></u>
<b>290</b>	<b>TOTAL ASSETS</b>	<u><u><b>\$ 7,819</b></u></u>
333	Accounts Payable - Other Governments	<u>\$ 304</u>
310	Total Current Liabilities	<u>304</u>
	Total Liabilities	304
511.1	Restricted Net Position	377
512.1	Unrestricted Net Position	<u>7,138</u>
513	Total Equity/Net Position	<u>7,515</u>
<b>600</b>	<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u><b>\$ 7,819</b></u></u>

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

Consortium of Northwest Ohio  
Henry County  
Entity Wide Revenue and Expense Summary  
FDS Schedule Submitted to HUD  
For the Fiscal Year Ended June 30, 2016

<u>Line item</u>	<u>Account Description</u>	<u>Bowling Green Section 8 14.871 Housing Choice Voucher</u>
	Revenue	
706-010	Housing Assistance Payment Revenue	\$ 374,635
706-020	Administrative Fee Revenues	<u>71,024</u>
706	HUD PHA Operating Grants	<u>445,659</u>
711	Investment Income - PHA	7
714	Fraud Recovery - PHA	<u>572</u>
700	Total Revenue	446,238
	Expense	
913	Management Fees	71,167
916	Office Expenses	<u>109</u>
	Total Operating - Administrative	<u>71,276</u>
	Total Operating Expenses	<u>71,276</u>
970	Excess Operating Revenue over Expenses	374,962
	Other Expenses	
973	Housing Assistance Payments	<u>375,368</u>
900	Total Expenses	446,644
1000	Excess of Revenues over Expenses	(406)
1103	Beginning Net Position	<u>7921</u>
1117	Administrative Fee Equity	7138
1118	Housing Assistance Payment Equity	<u>377</u>
	Total Ending Net Position	<u>\$ 7,515</u>

Consortium of Northwest Ohio  
 Henry County  
 Entity Wide Balance Sheet Summary  
 FDS Schedule Submitted to HUD  
 June 30, 2016

<b>Line item</b>	<b>Account Description</b>	<b>Williams Section 8 14.871 Housing Choice Voucher</b>
	Current Assets	
111	Cash - Unrestricted	\$ 57,684
113	Cash - Restricted	6,345
100	Total Cash	<u>64,029</u>
	Accounts Receivable	
122	HUD Other Project	477
124	Other Government	778
128	Fraud Recovery	1,686
128.1	Allow Doubtful Accounts	(1,686)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>1,255</u>
<b>150</b>	<b>Total Current Assets</b>	<u><b>65,284</b></u>
164	F/E/M Admin.	12,758
166	Accumulated Depreciation	<u>(12,258)</u>
160	Net Fixed Assets	<u>500</u>
<b>290</b>	<b>TOTAL ASSETS</b>	<u><b>\$ 65,784</b></u>
333	Accounts Payable - Other Governments	<u>\$ -</u>
310	Total Current Liabilities	<u>-</u>
	Total Liabilities	-
508.4	Investment in Capital Assets	500
511.1	Restricted Net Position	6,345
512.1	Unrestricted Net Position	<u>58,939</u>
513	Total Equity/Net Position	<u>65,784</u>
<b>600</b>	<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 65,784</b></u>

Consortium of Northwest Ohio  
Henry County  
Entity Wide Revenue and Expense Summary  
FDS Schedule Submitted to HUD  
For the Fiscal Year Ended June 30, 2016

<u>Line item</u>	<u>Account Description</u>	<b>Williams Section 8 14.871 Housing Choice Voucher</b>
	Revenue	
706-010	Housing Assistance Payment Revenue	\$ 403,429
706-020	Administrative Fee Revenues	<u>82,302</u>
706	HUD PHA Operating Grants	<u>485,731</u>
711	Investment Income - PHA	36
714	Fraud Recovery - PHA	<u>866</u>
700	Total Revenue	486,633
	Expense	
913	Management Fees	82,519
916	Office Expenses	<u>120</u>
	Total Operating - Administrative	<u>82,639</u>
	Total Operating Expenses	<u>82,639</u>
970	Excess Operating Revenue over Expenses	403,994
	Other Expenses	
973	Housing Assistance Payments	<u>409,183</u>
900	Total Expenses	491,822
1000	Excess of Revenues over Expenses	(5,189)
1103	Beginning Net Position	<u>70,973</u>
1117	Administrative Fee Equity	6,845
1118	Housing Assistance Payment Equity	<u>58,939</u>
	Total Ending Net Position	<u>\$ 65,784</u>

Consortium of Northwest Ohio  
Henry County  
Entity Wide Balance Sheet Summary  
FDS Schedule Submitted to HUD  
June 30, 2016

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Current Assets				
111	Cash - Unrestricted	\$ 79,765	\$ 3,113	\$ 19,458	\$ 102,336
113	Cash - Restricted	422			422
100	Total Cash	80,187	3,113	19,458	102,758
	Accounts Receivable				
122	HUD Other Project	3,329			3,329
124	Other Government		304		304
128	Fraud Recovery	4,498			4,498
128.1	Allow Doubtful Accounts	(4,498)			(4,498)
120	Total Receivables, Net of Allowance for Doubtful Accounts	3,329	304		3,633
142	Prepaid Expenses	5,705			5,705
<b>150</b>	<b>Total Current Assets</b>	<b>89,221</b>	<b>3,417</b>	<b>19,458</b>	<b>112,096</b>
	Noncurrent Assets				
	Capital Assets				
162	Buildings	84,511			84,511
164	F/E/M Admin.	18,792			18,792
165	Leasehold Improvements	53,241			53,241
166	Accumulated Depreciation	(142,749)			(142,749)
160	Net Fixed Assets	13,795	-	-	13,795
180	Total Noncurrent assets	13,795	-	-	13,795
200	Deferred Outflow of Resources	63,713			63,713
<b>290</b>	<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 166,729</b>	<b>\$ 3,417</b>	<b>\$ 19,458</b>	<b>\$ 189,604</b>

Consortium of Northwest Ohio  
Henry County  
Entity Wide Balance Sheet Summary  
FDS Schedule Submitted to HUD  
June 30, 2016

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Current Liabilities				
312	A/P <= 90 days	\$ 5,266	\$ -	\$ -	\$ 5,266
321	Accrued Wage/Taxes Payable	2,409			2,409
322	Accrued Comp Abs. – Current	4,523			4,523
331	Accounts Payable – HUD			526	526
333	Accounts Payable - Other Governments		778		778
310	Total Current Liabilities	<u>12,198</u>	<u>778</u>	<u>526</u>	<u>13,502</u>
	Non-Current Liabilities				
354	Accrued Comp Abs. – Noncurrent	22,714			22,714
357	Accrued Pension	96,251	84,756		181,007
	Total Non-Current Liabilities	<u>131,163</u>	<u>85,534</u>	<u>526</u>	<u>217,223</u>
	Total Liabilities	<u>131,163</u>	<u>85,534</u>	<u>526</u>	<u>217,223</u>
400	Deferred Inflow of Resources	3,497			3,497
	Net Position				
508.1	Invested in Capital Assets Net	13,795			13,795
511.1	Restricted Net Position	422			422
512.1	Unrestricted Net Position	17,852	(82,117)	18,932	(45,333)
513	Total Net Position	<u>32,069</u>	<u>(82,117)</u>	<u>18,932</u>	<u>(31,116)</u>
<b>600</b>	<b>TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 166,729</u></b>	<b><u>\$ 3,417</u></b>	<b><u>\$ 19,458</u></b>	<b><u>\$ 189,604</u></b>

Consortium of Northwest Ohio  
Henry County  
Entity Wide Revenue and Expense Summary  
FDS Schedule Submitted to HUD  
For the Fiscal Year Ended June 30, 2016

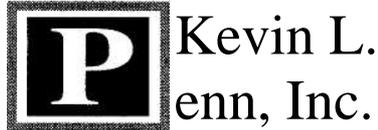
Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Revenue				
706-010	Housing Assistance Payment Revenue	\$ 833,640	\$ -	\$ 22,478	\$ 856,118
706-020	Administrative Fees Revenues				
711	Investment Income - PHA	46		4	50
714	Fraud Recovery - PHA	2,698			2,698
715	Other Revenue		154,331	17,767	172,098
700	Total Revenue	836,384	154,331	40,249	1,030,964
	Expenses				
911	Administrative Salaries	45,426	81,640	1,508	128,574
912	Audit	6,731		218	6,949
914	Advertisement & Marketing	524	163	16	703
915	Employee Benefits	22,699	33,333	615	56,647
916	Office Expenses	11,005	14,958	332	26,295
918	Travel	604	762	18	1,384
919	Other	8,864	9,120	268	18,252
910	Total Operating - Administrative	95,853	139,976	2,975	238,804
942	Ordinary Maintenance and Operations Materials and Other	3,799	7,133	115	11,047
940	Total Maintenance and Operations	3,799	7,133	115	11,047
961.2	Insurance – Liab. Insurance	3,277	4,347	105	7,729
961.3	Workmen's Compensation	200	1,747		1,947
961	Total Insurance	3,477	6,094	105	9,676
962.1	Comp Abs	4,523			4,523
967	Interest Expense	6			6
	Total Operating Expenses	107,658	153,203	3,195	264,056
970	Excess Operating Revenue over Expenses	728,726	1,128	37,054	766,908
	Other Expenses				
973	Housing Assistance Payments	704,262		18,122	722,384
974	Depreciation Expense	4,392			4,392
	Total Other Expenses	708,654	-	18,122	726,776
900	Total Expenses	816,312	153,203	21,317	990,832
1000	Excess of Revenues over Expenses	20,072	1,128	18,932	40,132
1103	Beginning Net Position	11,998	(83,245)	-	(71,247)
1117	Administrative Fee Equity	14,217			14,217
1118	Housing Assistance Payment Equity	17,852	(82,117)	18,932	(45,333)
	Total Ending Net Position	\$ 32,069	\$ (82,117)	\$ 18,932	\$ (31,116)

Consortium of Northwest Ohio  
Henry County  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2016

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Pass-Through Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers (Direct)	N/A	14.871	\$ 1,468,667
Section 8 New Construction and Substantial Rehabilitation (Direct)	N/A	14.182	<u>22,478</u>
Total U.S. Department of Housing and Urban Development			<u>1,491,145</u>
Total Federal Awards Expenditures			<u>\$ 1,491,145</u>

**Notes to the Schedule of Federal Awards Expenditures**

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the Consortium's federal awards programs. The Schedule has been prepared on the accrual basis of accounting.



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

Board of Trustees  
Consortium of Northwest Ohio  
Henry County

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Consortium of Northwest Ohio, Henry County, Ohio as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued my report thereon dated November 18, 2016.

***Internal Control Over Financial Reporting***

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

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

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

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

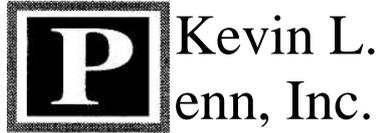
As part of reasonably assuring whether the Consortium of Northwest Ohio's financial statements are free of material misstatement, I tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination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

### ***Purpose of this Report***

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

Kevin L. Penn, Inc.

November 18, 2016



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

Board of Trustees  
Consortium of Northwest Ohio  
Henry County

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

I have audited Consortium of Northwest Ohio's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Consortium of Northwest Ohio's major federal programs for the year ended June 30, 2016. Consortium of Northwest Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

***Management's Responsibility***

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

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Consortium of Northwest Ohio's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Consortium of Northwest Ohio's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Consortium of Northwest Ohio's compliance.

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

In my opinion, Consortium of Northwest Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

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

My 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. I 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 my 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.

Kevin L. Penn, Inc.

November 18, 2016

**Consortium of Northwest Ohio**  
 Schedule of Findings  
 June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

**Consortium of Northwest Ohio**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

There were no audit findings, during the 2015 fiscal year.

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# Dave Yost • Auditor of State

**CONSORTIUM OF NORTHWEST OHIO**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 21, 2017**