# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
## ROSS COUNTY, OHIO

## SINGLE AUDIT REPORT

## FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

OHIO AUDITOR OF STATE
KEITH FABER

Board of Directors
Chillicothe Metropolitan Housing Authority
178 West Fourth Street
Chillicothe, Ohio 45601-3219

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, 2017 through September 30, 2018. Based upon this review, we have accepted these Reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

April 11, 2019

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**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**
**ROSS COUNTY, OHIO**
**AUDIT REPORT**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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**JAMES G. ZUPKA, C.P.A., INC.**
*Certified Public Accountants*
*5240 East 98th Street*
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Member American Institute of Certified Public Accountants (216) 475 - 6136 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for 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, 2018, 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.

***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

***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 15, 2019, 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.

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

March 15, 2019

Management's Discussion and Analysis for the year ended September 30, 2018.

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, 2018, 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 & 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, 2018, 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, 2018; and what Net Position (or what is commonly referred to as Equity) Chillicothe MHA has at September 30, 2018. 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.

The **Statement of Revenues, Expenses & 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.

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)**

| | 2018 | Restated 2017 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| Current and Other Assets | $ 2,088,000 | $ 1,866,000 |
| Capital Assets | 6,177,000 | 6,412,000 |
| Deferred Outflows of Resources | 216,000 | 381,000 |
| **Total Assets and Deferred Outflows of Resources** | $ 8,481,000 | $ 8,659,000 |
| | | |
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | |
| Current Liabilities | $ 224,000 | $ 205,000 |
| Long-Term Liabilities | 1,305,000 | 1,517,000 |
| **Total Liabilities** | 1,529,000 | 1,722,000 |
| | | |
| **Deferred Inflows of Resources** | 203,000 | 12,000 |
| | | |
| **Net Position** | | |
| Net Investment in Capital Assets | 6,177,000 | 6,412,000 |
| Restricted | 54,000 | 22,000 |
| Unrestricted | 518,000 | 491,000 |
| **Total Net Position** | 6,749,000 | 6,925,000 |
| | | |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 8,481,000 | $ 8,659,000 |

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

Current assets increased by about $222,000 (almost 12 percent) reflecting the favorable results from operating in the period. Factors contributing to the favorable operating results are addressed in the section following Table 2. Capital assets dropped modestly (by about 4 percent) reflecting that depreciation on existing assets outpaced capital additions.

The biggest 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 liability 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 Authority has in that these liabilities do not represent invoices to be paid by the Authority 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. GASB 68 was implemented a few years ago. GASB 75 is implemented with this reporting period. In addition to the impact on deferred outflow of resources, deferred inflow of resources, and non-current liabilities, the implementation of GASB 75 also caused net position to be restated as of September 30, 2017, by a value of about $416,000 less than what it was reported in last year's report.

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)**

| | 2018 | 2017 |
|---|---|---|
| **Revenues** | | |
| Tenant Revenues - Rents and Others | $ 849,000 | $ 856,000 |
| Operating Subsidies and Grants | 5,006,000 | 4,456,000 |
| Capital Grants | 373,000 | 249,000 |
| Investment Income | 0 | 1,000 |
| Other Reveues | 45,000 | 42,000 |
| **Total Revenues** | 6,273,000 | 5,604,000 |
| | | |
| **Expenses** | | |
| Administrative | 904,000 | 913,000 |
| Tenant Services | 130,000 | 118,000 |
| Utilities | 376,000 | 343,000 |
| Maintenance | 1,059,000 | 1,070,000 |
| General | 286,000 | 282,000 |
| Housing Assistance Payments | 3,086,000 | 2,822,000 |
| Depreciation | 608,000 | 622,000 |
| **Total Expenses** | 6,449,000 | 6,170,000 |
| Net (Decrease) in Net Position | (176,000) | (566,000) |
| | | |
| Beginning Net Position - Restated | 6,925,000 | N/A |
| Ending Net Position | $ 6,749,000 | $ 6,925,000 |

N/A - information needed to restate the fiscal year 2017 beginning balance and 2017 OPEB expense related to implementation of GASB 75 is not available.

Revenues increased by about $669,000 over the prior year which was almost a 12 percent increase. Expenses increased by a lot less, by about $279,000, resulting in favorable results from operations.

Revenue increases were isolated in subsidy and grant revenues. Increases were realized in all programs. The biggest increase was in funding for the Capital Fund Program (CFP), up almost 53 percent. That increase however does not indicate an increase in funding available to the Authority but rather is the result of timing of when grants available to the agency are spent. The Authority receives CFP funding annually from the HUD. Much planning is done by the Authority, to include consultation with residents, to spend the funding most effectively. The Authority prepares an annual plan and a 5 year plan for how the funds will be used. Sometimes the start of work on a planned work item has to be delayed until funds accumulate to be able to complete it. So, this increase is the result of timing of when work items were able to be completed using funds made available in most recent years by HUD.

Public Housing subsidies increased notably, by about $145,000. That was a 14 percent increase. And Housing Choice Voucher program HUD revenue increased more than $282,000, a 9 percent increase. Some of the funding from HUD for the Voucher Program can only be used to make rental assistance payments on behalf of families being assisted by the program and the rest is fees earned by the Authority for the administration of the program. The majority of the increase from the prior year ($274,000 of it) is for the part provided to make rental assistance payments on behalf of families helped by the program.

Expenses overall increased modestly, by about 5 percent. The largest increase was to HAP expense ($264,000 of the total increase in expense of $279,000). HAP (Housing Assistance Payments) expense is rental assistance paid on behalf of families assisted by the Housing Choice Voucher Program. The increase in HAP expense closely corresponds to the increase in funding from HUD over the prior year for the part of HUD revenue for the Housing Choice Voucher Program that is to be used for this purpose, which meant the agency was able to increase lease up rates under the Program to help more families this year. Lease up under the Voucher Program increased just less than 5 percent.

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

| | 2018 | 2017 |
|---|---|---|
| Land and Land Rights | $ 1,301,000 | $ 1,301,000 |
| Buildings and Improvements | 25,252,000 | 24,879,000 |
| Equipment | 480,000 | 480,000 |
| Accumulated Depreciation | (20,856,000) | (20,248,000) |
| **Total** | $ 6,177,000 | $ 6,412,000 |

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.

**Financial Contact**

Questions concerning this report or requests for additional information should be directed to Carleena Beverly, Finance 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, 2018

| | | |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | $ | 1,702,421 |
| Restricted Cash and Cash Equivalents | | 223,722 |
| Receivables, Net | | 90,997 |
| Prepaid Expenses and Other Assets | | 70,463 |
| **Total Current Assets** | | 2,087,603 |
| **Non-Current Assets** | | |
| Capital Assets: | | |
| Non-Depreciable Capital Assets | | 1,301,488 |
| Depreciable Capital Assets, Net | | 4,875,318 |
| **Total Non-Current Assets** | | 6,176,806 |
| **Deferred Outflows of Resources** | | |
| Deferred Outflow of Resources - Pension | | 180,056 |
| Deferred Outflow of Resources - OPEB | | 36,376 |
| **Total Deferred Outflows of Resources** | | 216,432 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ | 8,480,841 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | |
| **Current Liabilities** | | |
| Accounts Payable | $ | 84,739 |
| Accrued Liabilities | | 38,524 |
| Intergovernmental Payables | | 36,393 |
| Tenant Security Deposits | | 64,125 |
| **Total Current Liabilities** | | 223,781 |
| **Non-Current Liabilities** | | |
| Accrued Compensated Absences Non-Current | | 36,592 |
| Other Non-Current Liabilities | | 105,825 |
| Net Pension Liability | | 705,806 |
| Net OPEB Liability | | 457,175 |
| **Total Non-Current Liabilities** | | 1,305,398 |
| **TOTAL LIABILITIES** | | 1,529,179 |
| **Deferred Inflows of Resources** | | |
| Deferred Inflow of Resources - Pension | | 168,747 |
| Deferred Inflow of Resources - OPEB | | 34,057 |
| **Total Deferred Inflows of Resources** | | 202,804 |
| **Net Position** | | |
| Investment in Capital Assets | | 6,176,806 |
| Restricted Net Position | | 53,772 |
| Unrestricted Net Position | | 518,280 |
| **Total Net Position** | | 6,748,858 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | $ | 8,480,841 |

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, 2018**

| | |
|---|---|
| **Operating Revenues** | |
| Tenant Revenue | $ 849,249 |
| Government Operating Grants | 5,006,352 |
| Other Revenue | 44,248 |
| **Total Operating Revenues** | 5,899,849 |
| | |
| **Operating Expenses** | |
| Administrative | 903,551 |
| Tenant Services | 130,059 |
| Utilities | 375,832 |
| Maintenance | 1,059,438 |
| Protective Services | 46,209 |
| General | 239,722 |
| Housing Assistance Payment | 3,086,109 |
| Depreciation | 608,116 |
| **Total Operating Expenses** | 6,449,036 |
| Operating Income (Loss) | (549,187) |
| | |
| **Non-Operating Revenues (Expenses)** | |
| Interest and Investment Revenue | 305 |
| **Total Non-Operating Revenues (Expenses)** | 305 |
| Income (Loss) Before Contributions | (548,882) |
| | |
| Capital Grants | 372,870 |
| Change in Net Position | (176,012) |
| | |
| Total Net Position - Beginning of Year - Restated | 6,924,870 |
| | |
| **Total Net Position - End of Year** | $ 6,748,858 |

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, 2018

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash from HUD and Other Governments | $ | 5,035,990 |
| Cash from Tenants | | 856,984 |
| Cash from Other Sources | | 30,250 |
| Cash Paid for HAPs | | (3,072,808) |
| Cash Paid for Administration | | (780,742) |
| Cash Paid for Other Operating | | (1,844,789) |
| **Net Cash Used by Operating Activities** | | 224,885 |
| | | |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Acquisition of Capital Assets | | (372,870) |
| Capital Grants Received | | 372,870 |
| **Net Cash Provided by Capital and Related Financing Activities** | | 0 |
| | | |
| **Cash Flows from Investing Activities** | | |
| Investment Income | | 305 |
| **Net Cash Provided by Investing Activities** | | 305 |
| Net Increase in Cash and Cash Equivalents | | 225,190 |
| | | |
| Cash and Cash Equivalents - Beginning of Year | | 1,700,953 |
| **Cash and Cash Equivalents - End of Year** | $ | 1,926,143 |
| | | |
| **Reconciliation of Net Operating Loss to** | | |
| **Net Cash Provided by Operating Activities** | | |
| Net Operating Income (Loss) | $ | (549,187) |
| Adjustments to Reconcile Operating Loss to | | |
| Net Cash Used by Operating Activities: | | |
| Depreciation | | 608,116 |
| (Increase) Decrease in Accounts Receivable | | 19,140 |
| (Increase) Decrease in Inventory | | (14,921) |
| (Increase) Decrease in Prepaid Expenses and Other Assets | | (691) |
| (Increase) Decrease in Deferred Outflows | | 163,776 |
| Increase (Decrease) in Accounts Payable | | 19,144 |
| Increase (Decrease) in Accrued Wages and Payroll Taxes | | 205 |
| Increase (Decrease) in Tenant Security Deposits | | 2,100 |
| Increase (Decrease) in Pension and OPEB Liabilities | | (228,122) |
| Increase (Decrease) in Deferred Inflows | | 190,684 |
| Increase (Decrease) in Other Liabilities | | 14,641 |
| **Net Cash Provided by Operating Activities** | $ | 224,885 |

See accompanying notes to the basic financial statements.

## 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.

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

**Reporting Entity** (Continued)
Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**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 AIPCA 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.

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

**Description of Programs** (Continued)

*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.

*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.

*Family Self-Sufficiency Coordinator*
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 $29,865 at year end 2018.

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

**Other Assets**

*Prepaid Expenses*
Payments made to vendors for services that will benefit periods beyond September 30, 2018, 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.

*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.

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

**Net Position**

Net position represents the difference between assets and deferred inflow of resources, and liabilities and deferred outflow 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.

**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.

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

**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.

**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).

**Change in Accounting Principle**

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

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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

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

**Change in Accounting Principle** (Continued)

| | | |
|---|---|---|
| Net Position September 30, 2017 | $ | 7,341,459 |
| Adjustments: | | |
| Net OPEB Liabliity | | (421,184) |
| Deferred Outflow - Payments Subsequent to Measurement Date | | 4,595 |
| Restated Net Position September 30, 2017 | $ | 6,924,870 |

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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.

At fiscal year-end September 30, 2018, the carrying amount of the Authority's deposits totaled $1,926,143 (including petty cash of $100) and its bank balance was $2,062,351. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of September 30, 2018, a total of $1,507,563 was exposed to custodial risk as discussed below, while $554,788 was covered by Federal Depository Insurance Corporation.

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

**Deposits** (Continued)
Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 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, 2018.

NOTE 3: **RESTRICTED CASH AND INVESTMENT**

Restricted cash balance as of September 30, 2018 of $223,722 represents cash on hand for the following:

| | | |
|---|---|---|
| Unspent Funding to pay HAPs | $ | 53,772 |
| Tenant Security Deposit | | 64,125 |
| FSS Escrow Held for Tenants | | 105,825 |
| **Total Restricted Cash** | $ | 223,722 |

NOTE 4: **RISK MANAGEMENT**

The Authority is covers for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association (SHARP). SHARP is an insurance risk pool comprised of 40 Ohio housing authorities, of which the Authority is a member. SHARP is a member of the Public Entity Risk Consortium (PERC), a self-insurance pool owned by its members. PERC provides SHARP specific excess coverage above its net retained limits. Deductibles and coverage limits are summarized below:

| Type of Coverage | Deductible | Coverage Limits |
|---|---|---|
| Property | | $ 55,892,200 |
| Automobile Physical Damage | 500 | per occurrence |
| Boiler and Machinery | 1,000 | 100,000,000 |
| Liability: | | |
| General | 0 | 2,000,000 |
| Automobile | 0 | included |
| Public Officials | 0 | included |
| Law Enforcement | 0 | included |
| Professional Liability | 0 | 1,000,000 |

NOTE 4: **RISK MANAGEMENT** (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. Health, dental, vision, and life insurance is offered to Authority employees through a commercial insurance company. Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

NOTE 5: **CAPITAL ASSETS**

| | Balance 9/30/17 | Additions | Deletions | Balance 09/30/18 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land | $ 1,301,488 | $ 0 | $ 0 | $ 1,301,488 |
| **Total Capital Assets Not Being Depreciated** | 1,301,488 | 0 | 0 | 1,301,488 |
| **Capital Assets Being Depreciated** | | | | |
| Buildings | 24,878,822 | 372,870 | 0 | 25,251,692 |
| Equipment | 479,511 | 0 | 0 | 479,511 |
| **Subtotal Capital Assets Being Depreciated** | 25,358,333 | 372,870 | 0 | 25,731,203 |
| Accumulated Depreciation - | | | | |
| Buildings | (19,773,795) | (606,321) | 0 | (20,380,116) |
| Equipment | (473,974) | (1,795) | 0 | (475,769) |
| **Total Accumulated Depreciation** | (20,247,769) | (608,116) | 0 | (20,855,885) |
| **Net Depreciable** | 5,110,564 | (235,246) | 0 | 4,875,318 |
| **Total Capital Assets, Net** | $ 6,412,052 | $ (235,246) | $ 0 | $ 6,176,806 |

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.

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* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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

Plan Description - 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):

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

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

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

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

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

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

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

| | State and Local |
|---|---|
| **2017 - 2018 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and 0.0 percent for 2018.

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

The Authority's contractually required contribution for pension was $86,521 for fiscal year ending September 30, 2018.

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

***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, 2017, 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/Asset Prior Measurement Date | 0.004258% |
| Proportion of the Net Pension Liability/Asset Current Measurement Date | 0.004499% |
| Change in Proportionate Share | 0.000241% |
| | |
| Proportionate Share of the Net Pension Liability/(Asset) | $ 705,806 |
| Pension Expense | $ 156,867 |

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

| | OPERS Traditional Pension Plan |
|---|---|
| **Deferred Outflows of Resources** | |
| Differences between expected and actual experience | $ 721 |
| Changes of assumptions | 84,349 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 26,190 |
| Authority contributions subsequent to the measurement date | 68,796 |
| **Total Deferred Outflows of Resources** | $ 180,056 |
| | |
| **Deferred Inflows of Resources** | |
| Net difference between projected and actual earnings on pension plan investments | $ 151,525 |
| Differences between expected and actual experience | 13,910 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 3,312 |
| **Total Deferred Inflows of Resources** | $ 168,747 |

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

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

$68,796 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, 2019. 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: | |
| 2019 | $ 74,930 |
| 2020 | (3,429) |
| 2021 | (66,724) |
| 2022 | (62,264) |
| 2023 | 0 |
| Thereafter | 0 |
| Total | $ (57,487) |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

***Actuarial Assumptions – OPERS*** (Continued)

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA | Pre 1/7/2013 retirees; 3 percent, simple<br>Post 1/7/2013 retirees; 3 percent, simple<br>through 2018, then 2.15 percent simple |
| Investment Rate of Return | 7.5 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 above 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.

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 and 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 is 16.82 percent for 2017.

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

***Actuarial Assumptions – OPERS*** (Continued)

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 2017 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00 % | 2.20 % |
| Domestic Equities | 19.00 | 6.37 |
| Real Estate | 10.00 | 5.26 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 20.00 | 7.88 |
| Other investments | 18.00 | 5.26 |
| Total | 100.00 % | 5.66 % |

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | $ 1,253,331 | $ 705,806 | $ 249,335 |

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.

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

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

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

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

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

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.

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

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

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

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

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

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

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

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

| | State and Local |
|---|---|
| **2018 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2017. The Authority's contractually required contribution was $1367 for fiscal year ending September 30, 2018.

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

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of total contributions relative to the total 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 | 0.004170% |
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.004210% |
| Change in Proportionate Share | 0.000040% |
| | |
| Proportionate Share of the Net OPEB Liability | $ 457,175 |
| OPEB Expense | $ 38,267 |

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

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

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

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Net difference between projected and actual earnings on OPEB plan investments | $ 0 |
| Differences between expected and actual experience | 356 |
| Changes of assumptions | 33,287 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 2,733 |
| Authority contributions subsequent to the measurement date | 0 |
| **Total Deferred Outflows of Resources** | $ 36,376 |
| | |
| **Deferred Inflows of Resources** | |
| Net difference between projected and actual earnings on OPEB plan investments | $ 34,057 |
| Differences between expected and actual experience | 0 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 0 |
| **Total Deferred Inflows of Resources** | $ 34,057 |

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: | |
| 2019 | $ 8,878 |
| 2020 | 8,878 |
| 2021 | (6,922) |
| 2022 | (8,515) |
| 2023 | 0 |
| Thereafter | 0 |
| Total | $ 2,319 |

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

***Actuarial Assumptions - OPERS***

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

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

| | |
|---|---|
| Single Discount Rate | 3.85 percent |
| Investment Rate of Return | 6.50 percent |
| Municipal Bond Rate | 3.31 percent |
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Actuarial Cost Method | Individual Entry Age Normal |

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.

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

***Actuarial Assumptions – OPERS*** (Continued)

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.

OPERS manages investments in three investment portfolios: the Defined Benefits 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 is 15.2 percent for 2017.

The allocation of investment assets with the Health Care 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 continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

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

***Actuarial Assumptions – OPERS*** (Continued)

***Discount Rate –*** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.50 percent and a municipal bond rate of 3.31 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 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

| | 1% Decrease (2.85%) | Single Discount Rate (3.85%) | 1% Increase (4.85%) |
|---|---|---|---|
| Authority's proportionate share of the net OPEB liability | $ 607,377 | $ 457,175 | $ 335,663 |

***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 Authority's proportionate share of 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 2018 is 7.50 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 3.25 percent in the most recent valuation.

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

***Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** (Continued)

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net OPEB liability | $ 437,419 | $ 457,175 | $ 477,582 |

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, 2018, the accrual for compensated absences totaled $36,592 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, 2018:

| Description | Balance at 9/30/2017 | Additions | Deletions | Balance at 9/30/2018 | Amounts Due In One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 34,385 | $ 43,604 | $ (41,397) | $ 36,592 | $ 0 |
| Net Pension Liability | 969,919 | 0 | (264,113) | 705,806 | 0 |
| OPEB Liability | 421,184 | 35,991 | 0 | 457,175 | 0 |
| FSS Escrows | 91,184 | 74,200 | (59,559) | 105,825 | 0 |
| | $ 1,516,672 | $ 153,795 | $ (365,069) | $1,305,398 | $ 0 |

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, 2018 are:

| | |
|---|---|
| FYE 2019 | $ 13,497 |
| FYE 2020 | 5,092 |
| FYE 2021 | 5,092 |
| FYE 2022 | 3,627 |
| FYE 2023 | 2,580 |
| | $ 29,888 |

Rent expense for operating leases was $16,354 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, 2018.

### 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.

## NOTE 12: ECONOMIC DEPENDENCY

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

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
## ROSS COUNTY, OHIO
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
## LAST FIVE FISCAL YEARS (1)

| Traditional Plan | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability | 0.004499% | 0.004258% | 0.433300% | 0.387800% | 0.387800% |
| Authority's Proportionate Share of the Net Pension Liability | $705,806 | $969,919 | $750,530 | $467,730 | $457,166 |
| Authority's Covered Payroll | $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 | 118.71% | 176.19% | 139.16% | 98.39% | 87.64% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 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 it 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**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**
**OHIO PUBLIC EMPLOYEES RETIRMENT SYSTEM**
**LAST TEN FISCAL YEARS**

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ 86,521 | $ 71,881 | $ 71,934 | $ 58,845 | $ 56,316 | $ 70,085 | $ 55,091 | $ 55,338 | $ 49,722 | $ 45,709 |
| Contributions in Relation to the Contractually Required Contribution | (86,521) | (71,881) | (71,934) | (58,845) | (56,316) | (70,085) | (55,091) | (55,338) | (49,722) | (45,709) |
| Contribution Deficiency / (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Authority's Covered Payroll | $ 629,244 | $ 563,773 | $ 599,450 | $ 490,375 | $ 469,300 | $ 539,115 | $ 550,910 | $ 553,380 | $ 552,467 | $ 537,753 |
| Pension Contributions as a Percentage of Covered Payroll | | | | | | | | | | |
| Traditional Plan | 13.75% | 12.75% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% | 10.00% | 9.00% | 8.50% |

Total contributions reported include any amounts contributed to the Member-Directed plan.

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 TWO FISCAL YEARS (1)

| | 2018 | 2017 |
|---|---|---|
| Authority's Proportion of the Net OPEB Liability | 0.004210% | 0.004170% |
| Authority's Proportionate Share of the Net OPEB Liability | $ 457,175 | $ 421,184 |
| Authority's Covered Payroll | $ 596,173 | $ 576,799 |
| Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Liability | 76.68% | 73.02% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 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 it becomes available.

Amounts presented as of the Authority's measurement date, which is prior to 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 FOUR FISCAL YEARS (1)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually Required Contribution | $ 1,367 | $ 7,097 | $ 12,515 | $ 10,574 |
| Contributions in Relation to the Contractually Required Contribution | (1,367) | (7,097) | (12,515) | (10,574) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 |
| Authority Covered Payroll | $ 649,718 | $ 584,570 | $ 599,447 | $ 528,716 |
| Contributions as a Percentage of Covered Payroll | 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 it becomes available.

See accompanying notes to the required supplementary information

### *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 2014-2018.

*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.

#### *Net OPEB Liability*

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

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
# ROSS COUNTY, OHIO
# STATEMENT OF MODERNIZATION COSTS - COMPLETED
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

| | | OH16P024501-11 |
|---|---|---|
| Fund Approved | $ | 536,419 |
| Funds Expended | | 536,419 |
| Excess (Deficiency) of Funds Approved | $ | 0 |
| | | |
| Funds Advanced | $ | 536,419 |
| Funds Expended | | 536,419 |
| Excess (Deficiency) of Funds Advanced | $ | 0 |
| | | |
| | | OH16P024501-12 |
| Fund Approved | $ | 485,649 |
| Funds Expended | | 485,649 |
| Excess (Deficiency) of Funds Approved | $ | 0 |
| | | |
| Funds Advanced | $ | 485,649 |
| Funds Expended | | 485,649 |
| Excess (Deficiency) of Funds Advanced | $ | 0 |
| | | |
| | | OH16P024501-13 |
| Fund Approved | $ | 460,350 |
| Funds Expended | | 460,350 |
| Excess (Deficiency) of Funds Approved | $ | 0 |
| | | |
| Funds Advanced | $ | 460,350 |
| Funds Expended | | 460,350 |
| Excess (Deficiency) of Funds Advanced | $ | 0 |
| | | |
| | | OH16P024501-14 |
| Fund Approved | $ | 475,937 |
| Funds Expended | | 475,937 |
| Excess (Deficiency) of Funds Approved | $ | 0 |
| | | |
| Funds Advanced | $ | 475,937 |
| Funds Expended | | 475,937 |
| Excess (Deficiency) of Funds Advanced | $ | 0 |

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.

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE BALANCE SHEET SUMMARY
# SEPTEMBER 30, 2018

| Chillicothe Metropolitan Housing Authority (OH024) | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.871 Housing Choice Vouchers | 8 Other Federal Program 1 | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|
| 111 Cash - Unrestricted | 1,091,532 | - | 189,765 | - | 421,124 | 1,702,421 | - | 1,702,421 |
| 113 Cash - Other Restricted | 41,407 | - | 118,190 | - | - | 159,597 | - | 159,597 |
| 114 Cash - Tenant Security Deposits | 64,125 | - | - | - | - | 64,125 | - | 64,125 |
| **100 Total Cash** | 1,197,064 | - | 307,955 | - | 421,124 | 1,926,143 | - | 1,926,143 |
| | | | | | | | | |
| 121 Accounts Receivable - PHA Projects | - | - | 1,340 | - | - | 1,340 | - | 1,340 |
| 122 Accounts Receivable - HUD Other Projects | - | - | - | 41,635 | 19,297 | 60,932 | - | 60,932 |
| 125 Accounts Receivable - Miscellaneous | 795 | - | - | - | - | 795 | - | 795 |
| 126 Accounts Receivable - Tenants | 27,661 | - | - | - | - | 27,661 | - | 27,661 |
| 126.1 Allowance for Doubtful Accounts -Tenants | -13,700 | - | - | - | - | -13,700 | - | -13,700 |
| 126.2 Allowance for Doubtful Accounts - Other | -11,000 | - | - | - | - | -11,000 | - | -11,000 |
| 127 Notes, Loans, & Mortgages Receivable - Current | 22,134 | - | - | - | - | 22,134 | - | 22,134 |
| 128 Fraud Recovery | - | - | 8,000 | - | - | 8,000 | - | 8,000 |
| 128.1 Allowance for Doubtful Accounts - Fraud | - | - | -5,165 | - | - | -5,165 | - | -5,165 |
| **120 Total Receivables, Net of Allowances for Doubtful Accounts** | 25,890 | - | 4,175 | 41,635 | 19,297 | 90,997 | - | 90,997 |
| | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | 13,269 | - | - | - | 2,172 | 15,441 | - | 15,441 |
| 143 Inventories | 55,022 | - | - | - | - | 55,022 | - | 55,022 |
| 144 Inter Program Due From | - | - | - | - | 92,546 | 92,546 | -92,546 | - |
| **150 Total Current Assets** | 1,291,245 | - | 312,130 | 41,635 | 535,139 | 2,180,149 | -92,546 | 2,087,603 |
| | | | | | | | | |
| 161 Land | 871,233 | - | 162,144 | 226,067 | 42,044 | 1,301,488 | - | 1,301,488 |
| 162 Buildings | 22,319,142 | - | - | 1,512,371 | 1,420,179 | 25,251,692 | - | 25,251,692 |
| 163 Furniture, Equipment & Machinery - Dwellings | 151,166 | - | - | 735 | - | 151,901 | - | 151,901 |
| 164 Furniture, Equipment & Machinery - Administration | 128,867 | - | 5,201 | - | 193,542 | 327,610 | - | 327,610 |
| 166 Accumulated Depreciation | -18,607,187 | - | -5,201 | -888,900 | -1,354,597 | -20,855,885 | - | -20,855,885 |
| **160 Total Capital Assets, Net of Accumulated Depreciation** | 4,863,221 | - | 162,144 | 850,273 | 301,168 | 6,176,806 | - | 6,176,806 |
| | | | | | | | | |
| **180 Total Non-Current Assets** | 4,863,221 | - | 162,144 | 850,273 | 301,168 | 6,176,806 | - | 6,176,806 |
| | | | | | | | | |
| 200 Deferred Outflow of Resources | 95,227 | - | 36,794 | - | 84,411 | 216,432 | - | 216,432 |
| | | | | | | | | |
| **290 Total Assets and Deferred Outflow of Resources** | 6,249,693 | - | 511,068 | 891,908 | 920,718 | 8,573,387 | -92,546 | 8,480,841 |
| | | | | | | | | |
| 312 Accounts Payable <= 90 Days | 73,775 | - | 1,018 | - | 9,946 | 84,739 | - | 84,739 |
| 321 Accrued Wage/Payroll Taxes Payable | 16,078 | - | - | - | 22,446 | 38,524 | - | 38,524 |
| 333 Accounts Payable - Other Government | 36,393 | - | - | - | - | 36,393 | - | 36,393 |
| 341 Tenant Security Deposits | 64,125 | - | - | - | - | 64,125 | - | 64,125 |
| 347 Inter Program - Due To | - | - | 50,911 | 41,635 | - | 92,546 | -92,546 | - |

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE BALANCE SHEET SUMMARY
# SEPTEMBER 30, 2018

| Chillicothe Metropolitan Housing Authority (OH024) | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.871 Housing Choice Vouchers | 8 Other Federal Program 1 | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|
| **310 Total Current Liabilities** | 190,371 | - | 51,929 | 41,635 | 32,392 | 316,327 | -92,546 | 223,781 |
| | | | | | | | | |
| 353 Non-current Liabilities - Other | 41,407 | - | 64,418 | - | - | 105,825 | - | 105,825 |
| 354 Accrued Compensated Absences - Non Current | 11,787 | - | 6,729 | - | 18,076 | 36,592 | - | 36,592 |
| 357 Accrued Pension and OPEB Liabilities | 511,714 | - | 197,707 | - | 453,560 | 1,162,981 | - | 1,162,981 |
| **350 Total Non-Current Liabilities** | 564,908 | - | 268,854 | - | 471,636 | 1,305,398 | - | 1,305,398 |
| | | | | | | | | |
| **300 Total Liabilities** | 755,279 | - | 320,783 | 41,635 | 504,028 | 1,621,725 | -92,546 | 1,529,179 |
| | | | | | | | | |
| 400 Deferred Inflow of Resources | 89,234 | - | 34,476 | - | 79,094 | 202,804 | - | 202,804 |
| | | | | | | | | |
| 508.4 Net Investment in Capital Assets | 4,863,221 | - | 162,144 | 850,273 | 301,168 | 6,176,806 | - | 6,176,806 |
| 511.4 Restricted Net Position | - | - | 53,772 | - | - | 53,772 | - | 53,772 |
| 512.4 Unrestricted Net Position | 541,959 | - | -60,107 | - | 36,428 | 518,280 | - | 518,280 |
| **513 Total Equity - Net Assets / Position** | 5,405,180 | - | 155,809 | 850,273 | 337,596 | 6,748,858 | - | 6,748,858 |
| | | | | | | | | |
| **600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net** | 6,249,693 | - | 511,068 | 891,908 | 920,718 | 8,573,387 | -92,546 | 8,480,841 |

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
## SUPPLEMENTAL FINANCIAL SCHEDULE
## ENTITY WIDE REVENUE AND EXPENSE SUMMARY
## FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| Chillicothe Metropolitan Housing Authority (OH024) | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.871 Housing Choice Vouchers | 8 Other Federal Program 1 | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|
| 70300 Net Tenant Rental Revenue | 752,541 | - | - | - | - | 752,541 | - | 752,541 |
| 70400 Tenant Revenue - Other | 96,708 | - | - | - | - | 96,708 | - | 96,708 |
| **70500 Total Tenant Revenue** | 849,249 | - | - | - | - | 849,249 | - | 849,249 |
| | | | | | | | | |
| 70600 HUD PHA Operating Grants | 1,502,899 | 102,816 | 3,400,637 | - | - | 5,006,352 | - | 5,006,352 |
| 70610 Capital Grants | 372,870 | - | - | - | - | 372,870 | - | 372,870 |
| 70710 Management Fee | - | - | - | - | 342,846 | 342,846 | -342,846 | - |
| 70720 Asset Management Fee | - | - | - | - | 45,840 | 45,840 | -45,840 | - |
| 70730 Book Keeping Fee | - | - | - | - | 58,458 | 58,458 | -58,458 | - |
| 70740 Front Line Service Fee | - | - | - | - | 35,193 | 35,193 | -35,193 | - |
| **70700 Total Fee Revenue** | - | - | - | - | 482,337 | 482,337 | -482,337 | - |
| | | | | | | | | |
| 71100 Investment Income - Unrestricted | 33 | - | 39 | - | 233 | 305 | - | 305 |
| 71400 Fraud Recovery | - | - | 13,998 | - | - | 13,998 | - | 13,998 |
| 71500 Other Revenue | 9,000 | - | 7,243 | - | 14,007 | 30,250 | - | 30,250 |
| **70000 Total Revenue** | 2,734,051 | 102,816 | 3,421,917 | - | 496,577 | 6,755,361 | -482,337 | 6,273,024 |
| | | | | | | | | |
| 91100 Administrative Salaries | 79,098 | - | 117,038 | - | 203,003 | 399,139 | - | 399,139 |
| 91200 Auditing Fees | 8,500 | - | 3,269 | - | 1,349 | 13,118 | - | 13,118 |
| 91300 Management Fee | 297,114 | - | 45,732 | - | - | 342,846 | -342,846 | - |
| 91310 Book-keeping Fee | 33,458 | - | 25,000 | - | - | 58,458 | -58,458 | - |
| 91400 Advertising and Marketing | 300 | - | 339 | - | - | 639 | - | 639 |
| 91500 Employee Benefit contributions - Administrative | 37,513 | - | 69,803 | - | 123,597 | 230,913 | - | 230,913 |
| 91600 Office Expenses | 72,414 | - | 19,944 | - | 67,262 | 159,620 | - | 159,620 |
| 91700 Legal Expense | 10,085 | - | 1,158 | - | 250 | 11,493 | - | 11,493 |
| 91800 Travel | 4,938 | - | 1,092 | - | 6,300 | 12,330 | - | 12,330 |
| 91900 Other | 25,871 | - | 36,665 | - | 13,763 | 76,299 | - | 76,299 |
| **91000 Total Operating - Administrative** | 569,291 | - | 320,040 | - | 415,524 | 1,304,855 | -401,304 | 903,551 |
| | | | | | | | | |
| 92000 Asset Management Fee | 45,840 | - | - | - | - | 45,840 | -45,840 | - |
| 92100 Tenant Services - Salaries | 18,550 | 64,972 | - | - | - | 83,522 | - | 83,522 |
| 92300 Employee Benefit Contributions - Tenant Services | 7,893 | 37,844 | - | - | - | 45,737 | - | 45,737 |
| 92400 Tenant Services - Other | 800 | - | - | - | - | 800 | - | 800 |
| **92500 Total Tenant Services** | 27,243 | 102,816 | - | - | - | 130,059 | - | 130,059 |
| | | | | | | | | |
| 93100 Water | 69,351 | - | - | - | 369 | 69,720 | - | 69,720 |
| 93200 Electricity | 198,564 | - | - | - | 19,830 | 218,394 | - | 218,394 |
| 93300 Gas | 15,190 | - | - | - | 2,552 | 17,742 | - | 17,742 |
| 93600 Sewer | 69,695 | - | - | - | 281 | 69,976 | - | 69,976 |
| **93000 Total Utilities** | 352,800 | - | - | - | 23,032 | 375,832 | - | 375,832 |

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE REVENUE AND EXPENSE SUMMARY
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| Chillicothe Metropolitan Housing Authority (OH024) | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.871 Housing Choice Vouchers | 8 Other Federal Program 1 | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| 94100 Ordinary Maintenance and Operations - Labor | 186,698 | - | - | - | - | 186,698 | - | 186,698 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 110,569 | - | - | - | 1,312 | 111,881 | - | 111,881 |
| 94300 Ordinary Maintenance and Operations Contracts | 489,597 | - | - | - | 14,303 | 503,900 | -35,193 | 468,707 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | 88,489 | - | - | - | - | 88,489 | - | 88,489 |
| **94000 Total Maintenance** | 875,353 | - | - | - | 15,615 | 890,968 | -35,193 | 855,775 |
| | | | | | | | | |
| 95200 Protective Services - Other Contract Costs | 46,209 | - | - | - | - | 46,209 | - | 46,209 |
| **95000 Total Protective Services** | 46,209 | - | - | - | - | 46,209 | - | 46,209 |
| | | | | | | | | |
| 96110 Property Insurance | 78,908 | - | - | - | 7,014 | 85,922 | - | 85,922 |
| 96130 Workmen's Compensation | 4,266 | - | - | - | 4,821 | 9,087 | - | 9,087 |
| **96100 Total insurance Premiums** | 83,174 | - | - | - | 11,835 | 95,009 | - | 95,009 |
| | | | | | | | | |
| 96200 Other General Expenses | - | - | 5,161 | - | - | 5,161 | - | 5,161 |
| 96210 Compensated Absences | 3,734 | - | - | - | - | 3,734 | - | 3,734 |
| 96300 Payments in Lieu of Taxes | 42,106 | - | - | - | - | 42,106 | - | 42,106 |
| 96400 Bad debt - Tenant Rents | 93,712 | - | - | - | - | 93,712 | - | 93,712 |
| **96000 Total Other General Expenses** | 139,552 | - | 5,161 | - | - | 144,713 | - | 144,713 |
| | | | | | | | | |
| **96700 Total Interest Expense and Amortization Cost** | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| **96900 Total Operating Expenses** | 2,139,462 | 102,816 | 325,201 | - | 466,006 | 3,033,485 | -482,337 | 2,551,148 |
| | | | | | | | | |
| **97000 Excess of Operating Revenue over Operating Expenses** | 594,589 | - | 3,096,716 | - | 30,571 | 3,721,876 | - | 3,721,876 |
| | | | | | | | | |
| 97100 Extraordinary Maintenance | 197,947 | - | - | - | - | 197,947 | - | 197,947 |
| 97200 Casualty Losses - Non-capitalized | 5,716 | - | - | - | - | 5,716 | - | 5,716 |
| 97300 Housing Assistance Payments | - | - | 3,079,621 | - | - | 3,079,621 | - | 3,079,621 |
| 97350 HAP Portability-In | - | - | 6,488 | - | - | 6,488 | - | 6,488 |
| 97400 Depreciation Expense | 556,139 | - | - | 28,302 | 23,675 | 608,116 | - | 608,116 |
| **90000 Total Expenses** | 2,899,264 | 102,816 | 3,411,310 | 28,302 | 489,681 | 6,931,373 | -482,337 | 6,449,036 |
| | | | | | | | | |
| 10010 Operating Transfer In | 50,000 | - | - | - | - | 50,000 | -50,000 | - |
| 10020 Operating transfer Out | -50,000 | - | - | - | - | -50,000 | 50,000 | - |
| 10091 Inter Project Excess Cash Transfer In | 55,000 | - | - | - | - | 55,000 | -55,000 | - |
| 10092 Inter Project Excess Cash Transfer Out | -55,000 | - | - | - | - | -55,000 | 55,000 | - |
| **10100 Total Other financing Sources (Uses)** | - | - | - | - | - | - | - | - |
| | | | | | | | | |

# CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE REVENUE AND EXPENSE SUMMARY
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| Chillicothe Metropolitan Housing Authority (OH024) | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.871 Housing Choice Vouchers | 8 Other Federal Program 1 | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|
| **10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses** | -165,213 | - | 10,607 | -28,302 | 6,896 | -176,012 | - | -176,012 |
| | | | | | | | | |
| 11030 Beginning Equity | 5,753,692 | - | 216,022 | 878,575 | 493,170 | 7,341,459 | - | 7,341,459 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | -183,299 | - | -70,820 | - | -162,470 | -416,589 | - | -416,589 |
| 11170 Administrative Fee Equity | - | - | 102,037 | - | - | 102,037 | - | 102,037 |
| 11180 Housing Assistance Payments Equity | - | - | 53,772 | - | - | 53,772 | - | 53,772 |
| 11190 Unit Months Available | 4,584 | - | 6,732 | - | - | 11,316 | - | 11,316 |
| 11210 Number of Unit Months Leased | 4,461 | - | 6,717 | - | - | 11,178 | - | 11,178 |

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**
**ROSS COUNTY, OHIO**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| **Federal Grantor/**<br>*Pass Through Grantor/*<br>Program/Title | **Federal CFDA Number** | **Federal Expenditures** |
|---|---|---|
| **U.S. Department of Housing and Urban Development** | | |
| *Direct Programs* | | |
| Family Self-Sufficiency Program | 14.896 | $ 102,816 |
| Public and Indian Housing | 14.850 | 1,197,188 |
| Public Housing Capital Fund | 14.872 | 678,581 |
| Housing Voucher Cluster: | | |
| Section 8 Housing Choice Vouchers | 14.871 | 3,400,637 |
| Total Housing Voucher Program | | 3,400,637 |
| *Total Direct Programs* | | 5,379,222 |
| **Total U.S. Department of Housing and Urban Development** | | $ 5,379,222 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | |

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, 2018

## 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, 2018. 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 98th Street*
*Garfield Hts., Ohio 44125*

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

| | |
|---|---|
| To the Members of the Board | Regional Inspector General of Audit |
| Chillicothe Metropolitan Housing Authority | Department of Housing and Urban |
| Chillicothe, Ohio | 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, 2018, 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 15, 2019, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

## *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.

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

March 15, 2019

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

***Certified Public Accountants***
***5240 East 98th 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, 2018. 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, 2018.

***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.

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

March 15, 2019

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**
**ROSS COUNTY, OHIO**
**SCHEDULE OF FINDINGS AND QUESTIONS COSTS**
**SEPTEMBER 30, 2018**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| 2018(i) | Type of Financial Statement Opinion | Unmodified |
| 2018(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2018(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2018(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2018(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2018(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| 2018(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| 2018(vi) | Are there any reportable findings under 2 CFR 200.516(a)? | No |
| 2018(vii) | Major Programs (list):<br><br>Housing Voucher Cluster:<br>Section 8 Housing Choice Vouchers - CFDA #14.871 | |
| 2018(viii) | Dollar Threshold: Type A\B Programs | Type A: $750,000<br>Type B: All Others |
| 2018(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, 2018**

The prior audit for the period ended September 30, 2017, had no findings or management letter recommendations.

OHIO AUDITOR OF STATE
**KEITH FABER**

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY**

**ROSS 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**
**APRIL 23, 2019**

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