CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

Ross County, Ohio

Financial Statements

For the Year Ended September 30, 2015

WSSR

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Dave Yost • Auditor of State

Board of Commissioners
Chillicothe Metropolitan Housing Authority
178 West Fourth Street
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period October 1, 2014 through September 30, 2015. 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.

Dave Yost
Auditor of State

June 2, 2016

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CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

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For the Fiscal Year Ended September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

March 18, 2016

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Chillicothe Metropolitan Housing Authority (the Authority), Ross County, as of and for the year ended September 30, 2015, 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 opinions 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 entity'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 entity'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 Authority, as of September 30, 2015, 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 described in Note 14 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68,* and adjusted its net position at September 30, 2014. 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 on pages 5 through 10, the Schedule of the Authority's Proportionate Share of the Net Position Liability on page 34, and the Schedule of Authority Contributions on page 35, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementing financial data schedules are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General and are not a required part of the financial statements. The schedule of expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is presented for purpose of additional analysis, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedules are the responsibility of management and were derived from and relates 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 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 financial data schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 18, 2016, 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

Whited Seigneur Sams & Rahe

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, 2015, 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 reports the value of assets Chillicothe MHA holds at September 30, 2015, 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 shows the liabilities Chillicothe MHA has, that is, what Chillicothe MHA owes others at September 30, 2015; and what Net Position (or what is commonly referred to as Equity) Chillicothe MHA has at September 30, 2015. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net position (or equity) part.

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, & 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 that when added to the liabilities Chillicothe MHA has equals the total assets Chillicothe MHA has.

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 programs, 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. HUD also provides Chillicothe MHA Resident Opportunity and Supportive Services (ROSS) grant funding that is used to enable public housing residents to attain self-sufficiency and economic independence.

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.

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 to 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)

	2015	2014
Current Assets	$ 1,810,000	$ 1,804,000
Capital Assets	7,312,000	7,622,000
Deferred Outflows	67,000	0
Total Assets & Deferred Outflows	9,189,000	9,426,000
Current Liabilities	206,000	204,000
Long-Term Liabilities	584,000	90,000
Deferred Inflows	8,000	0
Total Liabilities & Deferred Inflows	798,000	294,000
Net Position:		
Net Investment in Capital Assets	7,312,000	7,622,000
Restricted Net Position	16,000	135,000
Unrestricted Net Position	1,063,000	1,375,000
Total Net Position	8,391,000	9,132,000
Total Liabilities, Deferred Inflows & Net Position	$ 9,189,000	$ 9,426,000

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

Significant changes from the prior year are isolated to a couple spots on the Statement of Net Position. Capital Assets and the component of Net Position of Net Investment in Capital Assets are about 4% less than at the prior year-end, a reflection of capital additions being less than depreciation on agency assets in the period. Restricted Net Position also dropped considerably to about $16,000. That reflects HUD reducing the amount of funding provided for the payments of rental assistance under the Housing Choice Voucher program to match the spending level of the Authority, something HUD has been committed to in recent years to minimize the amount of unspent funds for this purpose in the hands of PHAs nationwide. The biggest change is in Non-Current Liabilities where there was an increase of about $494,000. $468,000 of that is in a new liability the agency reports this year, Net Pension Liability. Net Pension Liability is the product of implementation of a new accounting standard called GASB 68. GASB 68 is also responsible for the new lines on the Statement of Net Position named Deferred Outflow of Resources and Deferred Inflow of Resources. The recognition of the Net Pension Liability pursuant to GASB 68 is the biggest factor causing the drop in Unrestricted Net Position ($312,000).

The implementation of GASB 68 will have a similar impact on the financial statements of almost all units of government in Ohio. Essentially what it requires of Chillicothe MHA is to report on its financial statements what is determined to be its share of the unfunded pension liability of the Ohio Public Employees Retirement System (OPERS). Despite that, the very large Net Pension Liability reported by Chillicothe MHA (almost $468,000) does not represent a true liability of the agency in terms of if operations ceased today there is no invoice in that amount to be paid, the concept behind the standard is that ultimately for OPERS to resolve the unfunded pension liability it has, it will have to impose an additional funding burden on the entities that contribute to it. State law mandates that employees of Chillicothe MHA are participants in OPERS and that Chillicothe MHA makes retirement contributions to OPERS on behalf of all of its employees.

The following is a modified **Statement of Revenues, Expenses & Changes in Net Position**. Chillicothe MHA is engaged only in business type activities.

Table 2 – Modified Statement of Revenues, Expenses & Changes in Net Position
(Values Rounded to Nearest Thousand)

	2015	2014
Revenues		
Tenant Revenues - Rents & Other	$ 751,000	$ 688,000
Operating Subsidies & Grants	3,954,000	4,169,000
Capital Grants	365,000	178,000
Investment Income	1,000	1,000
Other Revenues	65,000	50,000
Total Revenues	5,136,000	5,086,000
Expenses		
Administrative	756,000	777,000
Tenant Services	118,000	52,000
Utilities	351,000	351,000
Maintenance	961,000	1,092,000
General	249,000	190,000
Housing Assistance Payments	2,337,000	2,453,000
Depreciation	680,000	714,000
Total Expenses	5,452,000	5,629,000
Prior Period Adjustment	(425,000)	0
Net Increase (Decrease) in Net Position	$ (741,000)	$ (543,000)

For more detailed information see Combined Statement of Revenues, Expenses and Changes in Net Position presented elsewhere in this report.

Overall revenue was relatively unchanged from the prior period, increasing by about $50,000. The overall increase closely corresponded to the increase in tenant revenues. While there were more significant changes in the components of Federal grant revenue, the change in operating subsidies was offset by the change in capital grant revenue. That primarily reflects that more of the Capital Fund Program grant spent in this period was used to make capital improvements to agency properties than in the past period.

Overall expenses dropped by about $177,000 (or 3%) from the prior year. The biggest drops were in maintenance and HAP expenses. That more of the Capital Fund Program spent in this period was used to make capital improvements to agency properties also contributed to the drop in maintenance expenses. The drop in HAP expense is a reflection of the drop in utilization of the Housing Choice Voucher program. HAP expense is the measure of rental assistance paid on behalf of clients in the Housing Choice Voucher program. Fewer families were provided rental assistance through that program in 2015 than in 2014.

The most significant balance on the statement however is the prior period adjustment amount to reduce Net Position by more than $425,000. This was the result of the implementation of GASB 68. The prior period adjustment amount reports the portion of the Net Pension Liability that existed before the start of the September 30, 2015 year-end. Had the new accounting standard not been implemented, the financial statements for the agency would have reported a favorable increase in Unrestricted Net Position.

The following is a condensed **Statement of Changes in Capital Assets** comparing the balance in capital assets at the year-end versus at the end of the prior year.

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

		2015		2014
Land and Land Rights	$	1,301,000	$	1,301,000
Buildings & Improvements		24,506,000		24,142,000
Equipment		493,000		487,000
Accumulated Depreciation		(18,988,000)		(18,308,000)
Construction in Progress		0		0
Total	$	$ 7,312,000	$	7,622,000

Increases in Buildings and Improvements, and Equipment, correspond to the Capital Grant Revenue reported. The overall drop in capital assets is a reflection of the extent to which depreciation on assets owned by the agency exceeded capital expenditures in the period.

Debt

The agency 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, Deputy Director of the Chillicothe Metropolitan Housing Authority, 178 W. Fourth Street, Chillicothe

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,451,601
Restricted Cash and Cash Equivalents	148,353
Receivables, Net	138,192
Prepaid Expenses and Other Assets	71,466
Total Current Assets	1,809,612
Non-Current Assets	
Capital Assets:	
Non-Depreciable Capital Assets	1,301,488
Depreciable Capital Assets, Net	6,010,856
Total Non-Current Assets	7,312,344
DEFERRED OUTFLOWS OF RESOURCES	67,287
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,189,243
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 64,906
Accrued Liabilities	52,793
Intergovernmental Payables	37,763
Tenant Security Deposits	50,201
Total Current Liabilities	205,663
Non-Current Liabilities	
Accrued Compensated Absences Non-Current	34,123
Other Non-Current Liabilities	81,788
Net Pension Liability	467,731
Total Non-Current Liabilities	583,642
TOTAL LIABILITIES	789,305
DEFERRED INFLOWS OF RESOURCES	8,218
NET POSITION	
Net Investment in Capital Assets	7,312,344
Restricted Net Position	16,364
Unrestricted Net Position	1,063,012
TOTAL NET POSITION	8,391,720
TOTAL LIABILITIES AND NET POSITION	$ 9,189,243

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, 2015

Operating Revenues	
Tenant Revenue	$ 750,962
Government Operating Grants	3,954,574
Other Revenue	65,084
Total Operating Revenues	4,770,620
Operating Expenses	
Administrative	755,998
Tenant Services	117,615
Utilities	350,453
Maintenance	960,567
Protective Services	37,249
General	211,777
Housing Assistance Payment	2,336,821
Depreciation	680,480
Total Operating Expenses	5,450,960
Operating Income (Loss)	(680,340)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	673
Total Non-Operating Revenues (Expenses)	673
Income (Loss) Before Contributions	(679,667)
Capital Grants	364,931
Change in Net Posiiton	(314,736)
Total Net Position - Beginning of Year	9,131,703
Prior Period Adjustments	(425,247)
Total Net Position - End of Year	$ 8,391,720

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Cash Flows from Operating Activities		
Cash from HUD and Other Governments	$	3,888,371
Cash from Tenants		768,956
Cash from Other Sources		61,062
Cash Paid for HAPs		(2,312,795)
Cash Paid for Administration		(755,742)
Cash Paid for Other Operating		(1,704,249)
Net Cash Used by Operating Activities		(54,397)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets		(371,015)
Capital Grants Received		364,931
Net Cash Provided by Capital and Related Financing Activities		(6,084)
Cash Flows from Investing Activities		
Investment Income		673
Net Cash Provided by Investing Activities		673
Net Increase in Cash and Cash Equivalents		(59,808)
Cash and Cash Equivalents - Beginning of Year		1,659,762
Cash and Cash Equivalents - End of Year	$	1,599,954
Reconciliation of Net Operating Loss to		
Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	$	(680,340)
Adjustments to Reconcile Operating Loss to		
Net Cash Used by Operating Activities:		
Depreciation		680,480
(Increase) Decrease in Accounts Receivable		(54,806)
(Increase) Decrease in Inventory		(9,732)
(Increase) Decrease in Prepaid Expenses and Other Assets		(265)
Increase (Decrease) in Accounts Payable		(31,093)
Increase (Decrease) in Accrued Wages and Payroll Taxes		256
Increase (Decrease) in Tenant Security Deposits		2,575
Increase (Decrease) in Other Liabilities *		38,528
Net Cash Provided by Operating Activities	$	(54,397)

* Non Cash increase to Net Pension Liability of $425,247 not reflected in reported amount.

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.

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

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

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

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

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.

Resident Opportunity and Supportive Services
A grant funded by HUD that is intended to enable public housing residents to obtain self-sufficiency and economic independence and move from welfare to work.

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 Net 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.

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

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 $13,300 at year end 2015.

Other Assets

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2015, 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 $1,000 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.

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

Compensated Absences

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

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

Net Position

Net position represents the difference between assets and liabilities. 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 receives (or gives) value without directly giving (or receiving) equal value in return.

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

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

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

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investment 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. The deferred outflows of resources related to pension are explained the 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7).

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT**

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure.

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT** (Continued)

The implementation of this pronouncement had the following effect of net position as reported September 30, 2014:

Adjustments:		
Net Pension Liability (OPERS Tradition Plan)	$	(457,166)
Deferred Outflow - Payment Subsequent to Measurement Date		31,919
Prior Period Adjustment	$	(425,247)

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 3: **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.

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)
At fiscal year-end September 30, 2015, the carrying amount of the Authority's deposits totaled $1,599,954 (including petty cash of $100) and its bank balance was $1,648,297. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of September 30, 2015, a total of $1,137,326 was exposed to custodial risk as discussed below, while $510,939 was covered by Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 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, 2015.

NOTE 4: **RESTRICTED CASH AND INVESTMENT**

Restricted cash balance as of September 30, 2015 of $148,353 represents cash on hand for the following:

Tenant Security Deposit	$	50,201
Cash on Hand Advance from HUD to be used for		
Tenants' Housing Assistance Payments		16,364
FSS Escrow Held for Tenants		81,788
Total Restricted Cash	$	148,353

NOTE 5: **RISK MANAGEMENT**

The Authority is covered 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.

NOTE 5: **RISK MANAGEMENT** (Continued)

Deductibles and coverage limits are summarized below:

Type of Coverage	Deductible	Coverage Limits
Property		$ 54,567,800
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	5,000	1,000,000

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 6: **CAPITAL ASSETS**

	Balance 9/30/14	Reclass	Additions	Deletions	Balance 06/30/15
Capital Assets Not Being Depreciated					
Land	$ 1,301,488	$ 0	$ 0	$ 0	$ 1,301,488
Total Capital Assets Not Being Depreciated	1,301,488	0	0	0	1,301,488
Capital Assets Being Depreciated					
Buildings	10,615,836	0	15,052	0	10,630,888
Leasehold Improvements	13,525,292	0	349,879	0	13,875,171
Equipment	487,182	0	6,084	(350)	492,916
Subtotal Capital Assets Being Depreciated	24,628,310	0	371,015	(350)	24,998,975
Accumulated Depreciation -					
Buildings	(8,083,415)	0	(176,070)	0	(8,259,485)
Leasehold	(9,756,693)	0	(495,650)	0	(10,252,343)
Equipment	(467,881)	0	(8,760)	350	(476,291)
Total Accumulated Depreciation	(18,307,989)	0	0 (680,480)	350	(18,988,119)
Net Depreciable	6,320,321	0	(309,465)	0	6,010,856
Total Capital Assets, Net	$ 7,621,809	$ 0	$ (309,465)	$ 0	$ 7,312,344

NOTE 7: **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.

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 – OPERS is a cost-sharing, multiple-employer public employee retirement system that provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, by calling (800) 222-7377, or by visiting the OPERS Web site at www.opers.org.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

OPERS administers three retirement plans, as described below:

- The Traditional Pension Plan (TP) - a defined benefit plan;

- The Member-Directed Plan (MD) - a defined benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings;

- The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

Pension Benefits – All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The Board, pursuant to ORC Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

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

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

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

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits.

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants

Contributions - The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contribution were approved based upon the recommendations of the System's external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contributions rates, as a percent of covered payroll, were the same for each covered group across all three plans for fiscal year ended September 30, 2015. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determined the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

Plan members were required to contribute 10 percent of their annual covered salary. The Authority was required to contribute 14 percent, a portion of which is set aside for funding post-retirement health care coverage. The Authority's contractually required contributions to OPERS for fiscal year 2015 were $68,653 for the Traditional Plan and $0 for the Combined Plan. Total contractually required contributions, including contributions for the Member-Directed Plan and post-retirement health care was $68,653. The full amount was contributed during the fiscal year.

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

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

The net pension liability was measured as of December 31, 2014, 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 on contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional
Proportionate Share of the Net Pension Liability (Asset)	$ 467,731
Proportion of the Net Pension Liability	0.003878%
Pension Expense	$ 51,067

At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional
Deferred Outflows of Resources	
Net Difference between Projected and actual Earnings on	
Pension Plan Investments	$ 24,957
Authority Contributions Subsequent to the Measurement Date	42,330
Total Deferred Outflows of Resources	$ 67,287
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	$ 8,218
Total Deferred Inflows of Resources	$ 8,218

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

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

$42,330 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional Plan Net Deferred Outflow of Resources
Fiscal Year Ending September 30:	
2016	$ 2,448
2017	2,448
2018	5,605
2019	6,238
2020	0
Thereafter	0
Total	$ 16,739

Actuarial Assumptions - OPERS

OPERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., future employment, mortality, cost trends). Actuarially determined amounts are subject to continual review and potential modifications, 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.

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

Actuarial Assumptions – OPERS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation Date	December 31, 2014	December 31, 2014
Experience Study	5 year Period Ended December 31, 2010	5 year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25%-10.05% (includes wage inflation at 3.75%)	4.25%-8.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.28 %

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

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

Discount Rate – The discount rate used to measure the total pension liability was 8.0 percent for both the Traditional Pension Plan and Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan 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 – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0 percent, as well as what each plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) that the current rate.

Authority's proportionate share of the net pension liability (asset)	1% Decrease (7.0%)	Discount Rate (8.0%)	1% Increase (9.0%)
Traditional Pension Plan	$ 860,489	$ 467,731	$ 136,932
Combined Plan	$ 0	$ 0	$ 0

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age and service retirees under the Traditional Pension Plan and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plans are presented separately in the OPERS financial report, which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 800-222-7377, or by using the OPERS website at www.OPERS.org.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by state statute. OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the previously mentioned employer contribution rates that will be set aside for funding post-employment health care benefits. For the period ended September 30, 2015, the amount of the employer contribution that was allocated to fund post-employment health care was 2.0 of covered payroll.

The Authority's actual contributions that were used to fund OPEB for the years ending September 30, 2015, 2014, and 2013, were $11,442, $8,077, and $9,435, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

NOTE 9: **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 1 year of employment. As of September 30, 2015, the accrual for compensated absences totaled $34,122 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.

The following is a summary of changes in compensated absences for the year ended September 30, 2015:

Description	Balance at 9/30/2014	Additions	Deletions	Balance at 9/30/2015	Amounts Due In One Year
Compensated Absences	$ 32,362	$ 42,095	$ (40,334)	$ 34,123	$ 0

NOTE 10: **RESTRICTED NET POSITION**

A summary of restricted net position at September 30, 2015 is as follows:

Cash on hand advanced from HUD to be used for tenants' housing assistance payments	$	16,364
Total Restricted Net Position	$	16,364

NOTE 11: **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, 2015 are:

FYE 2016	$	51,670
FYE 2017		50,075
FYE 2018		48,227
FYE 2019		15,492
FYE 2020		0
	$	165,464

Rent expense for operating leases was $31,557 for the year.

NOTE 12: **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, 2015.

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 13: **ECONOMIC DEPENDENCY**

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

NOTE 14: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During the fiscal year, the Authority adopted the following GASB Statements.

For 2015, the Authority has implemented GASB Statement No.67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No.25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.*

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25 and* GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are effective for periods beginning after June 15, 2014, and have been implemented by the Authority.

The objective of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68,* is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, and have been implemented by the Authority.

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 TWO FISCAL YEARS (1)

Traditonal Plan	2015	2014
Authority's Proportion of the Net Pension Liability/(Asset)	0.003878%	0.003878%
Authority's Proportionate Share of the Net Pension Liability	$ 467,730	$ 457,166
Authority's Covered-Employee Payroll	$ 490,375	$ 469,300
Authority's Proportionate Share of the Net Pension Liability as a percentage of its Coverd Employee Payroll	95.38%	97.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2014 is not available.

Amounts presented as of the Authority's measurement date, which is December 31, 2014.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions										
Traditional Plan	$ 58,845	$ 56,316	$ 70,085	$ 55,091	$ 55,338	$ 49,722	$ 45,709	$ 40,484	$ 45,858	$ 55,368
Total Required Contributions	$ 58,845	$ 56,316	$ 70,085	$ 55,091	$ 55,338	$ 49,722	$ 45,709	$ 40,484	$ 45,858	$ 55,368
Contribution In Relation to the Contractually Required Contributions	(58,845)	(56,316)	(70,085)	(55,091)	(55,338)	(49,722)	(45,709)	(40,484)	(45,858)	(55,368)
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority's Covered-Employee Payroll										
Traditional Plan	$ 490,375	$ 469,300	$ 539,115	$ 550,910	$ 553,380	$ 552,467	$ 537,753	$ 578,343	$ 590,193	$ 612,478
Contributions as a Percentage of Covered-Employee Payroll										
Traditonal Plan	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%	7.77%	9.04%

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/ *Pass Through Grantor/* Program/Title	**Federal CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs		
PIH Family Self-Sufficiency Program	14.896	$ 60,165
Public and Indian Housing	14.850	1,170,217
Public Housing Capital Fund	14.872	587,539
Section 8 Housing Choice Vouchers	14.871	2,464,802
Resident Opportunities and Support Services - Service Coordinator	14.870	36,782
Total Direct Programs		4,319,505
Total U.S. Department of Housing and Urban Development		4,319,505
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 4,319,505

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

NOTE 1: **NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2015

	Project Total	91 Other Federal Program 3	14.871 Housing Choice Vouchers	8 Other Federal Program 1	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$1,025,555		$146,969			$279,077	$1,451,601		$1,451,601
113 Cash - Other Restricted	$22,612		$75,540				$98,152		$98,152
114 Cash - Tenant Security Deposits	$50,201						$50,201		$50,201
100 Total Cash	$1,098,368	$0	$222,509	$0	$0	$279,077	$1,599,954	$0	$1,599,954
122 Accounts Receivable - HUD Other Projects				$41,635		$79,213	$120,848		$120,848
125 Accounts Receivable - Miscellaneous	$2,016						$2,016		$2,016
126 Accounts Receivable - Tenants	$24,493						$24,493		$24,493
126.1 Allowance for Doubtful Accounts -Tenants	-$11,500						-$11,500		-$11,500
126.2 Allowance for Doubtful Accounts - Other	-$500	$0		$0	$0	$0	-$500		-$500
128 Fraud Recovery			$4,135				$4,135		$4,135
128.1 Allowance for Doubtful Accounts - Fraud			-$1,300				-$1,300		-$1,300
120 Total Receivables, Net of Allowances for Doubtful Accounts	$14,509	$0	$2,835	$41,635	$0	$79,213	$138,192	$0	$138,192
142 Prepaid Expenses and Other Assets	$14,469					$1,793	$16,262		$16,262
143 Inventories	$55,204						$55,204		$55,204
144 Inter Program Due From						$82,427	$82,427	-$82,427	$0
150 Total Current Assets	$1,182,550	$0	$225,344	$41,635	$0	$442,510	$1,892,039	-$82,427	$1,809,612
161 Land	$871,233		$162,144	$226,067		$42,044	$1,301,488		$1,301,488
162 Buildings	$8,605,330			$1,109,706		$915,852	$10,630,888		$10,630,888
163 Furniture, Equipment & Machinery - Dwellings	$151,166			$735			$151,901		$151,901
164 Furniture, Equipment & Machinery - Administration	$128,867		$18,606			$193,542	$341,015		$341,015
165 Leasehold Improvements	$12,968,179			$402,665		$504,327	$13,875,171		$13,875,171
166 Accumulated Depreciation	-$16,895,935		-$18,606	-$790,005		-$1,283,573	-$18,988,119		-$18,988,119
160 Total Capital Assets, Net of Accumulated Depreciation	$5,828,840	$0	$162,144	$949,168	$0	$372,192	$7,312,344	$0	$7,312,344
180 Total Non-Current Assets	$5,828,840	$0	$162,144	$949,168	$0	$372,192	$7,312,344	$0	$7,312,344
200 Deferred Outflow of Resources	$29,606		$11,439			$26,242	$67,287		$67,287
290 Total Assets and Deferred Outflow of Resources	$7,040,996	$0	$398,927	$990,803	$0	$840,944	$9,271,670	-$82,427	$9,189,243

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2015

312 Accounts Payable <= 90 Days	$42,660					$22,246	$64,906		$64,906
321 Accrued Wage/Payroll Taxes Payable	$8,615					$13,091	$21,706		$21,706
333 Accounts Payable - Other Government	$37,763						$37,763		$37,763
341 Tenant Security Deposits	$50,201						$50,201		$50,201
346 Accrued Liabilities - Other	$31,087						$31,087		$31,087
347 Inter Program - Due To			$40,792	$41,635			$82,427	-$82,427	$0
310 Total Current Liabilities	$170,326	$0	$40,792	$41,635	$0	$35,337	$288,090	-$82,427	$205,663
353 Non-current Liabilities - Other	$22,612		$59,176				$81,788		$81,788
354 Accrued Compensated Absences - Non Current	$10,522		$4,621			$18,980	$34,123		$34,123
357 Accrued Pension and OPEB Liabilities	$205,802		$79,514			$182,415	$467,731		$467,731
350 Total Non-Current Liabilities	$238,936	$0	$143,311	$0	$0	$201,395	$583,642	$0	$583,642
300 Total Liabilities	$409,262	$0	$184,103	$41,635	$0	$236,732	$871,732	-$82,427	$789,305
400 Deferred Inflow of Resources	$3,616		$1,397			$3,205	$8,218		$8,218
508.4 Net Investment in Capital Assets	$5,828,840	$0	$162,144	$949,168	$0	$372,192	$7,312,344		$7,312,344
511.4 Restricted Net Position		$0	$16,364	$0	$0		$16,364		$16,364
512.4 Unrestricted Net Position	$799,278	$0	$34,919	$0	$0	$228,815	$1,063,012		$1,063,012
513 Total Equity - Net Assets / Position	$6,628,118	$0	$213,427	$949,168	$0	$601,007	$8,391,720	$0	$8,391,720
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$7,040,996	$0	$398,927	$990,803	$0	$840,944	$9,271,670	-$82,427	$9,189,243

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2015

	Project Total	91 Other Federal Program 3	14.871 Housing Choice Vouchers	8 Other Federal Program 1	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$740,472						$740,472		$740,472
70400 Tenant Revenue - Other	$10,490						$10,490		$10,490
70500 Total Tenant Revenue	$750,962	$0	$0	$0	$0	$0	$750,962	$0	$750,962
70600 HUD PHA Operating Grants	$1,392,825	$36,782	$2,464,802		$60,165		$3,954,574		$3,954,574
70610 Capital Grants	$364,931						$364,931		$364,931
70710 Management Fee						$334,073	$334,073	-$334,073	$0
70720 Asset Management Fee						$45,840	$45,840	-$45,840	$0
70730 Book Keeping Fee						$74,415	$74,415	-$74,415	$0
70740 Front Line Service Fee						$34,064	$34,064	-$34,064	$0
70750 Other Fees									
70700 Total Fee Revenue						$488,392	$488,392	-$488,392	$0
71100 Investment Income - Unrestricted	$76		$152			$445	$673		$673
71400 Fraud Recovery			$7,716				$7,716		$7,716
71500 Other Revenue	$38,916		$8,035			$10,417	$57,368		$57,368
70000 Total Revenue	$2,547,710	$36,782	$2,480,705	$0	$60,165	$499,254	$5,624,616	-$488,392	$5,136,224
91100 Administrative Salaries	$87,959		$80,524			$183,029	$351,512		$351,512
91200 Auditing Fees	$4,562		$1,755			$981	$7,298		$7,298
91300 Management Fee	$288,341		$45,732				$334,073	-$334,073	$0
91310 Book-keeping Fee	$33,623		$40,792				$74,415	-$74,415	$0
91400 Advertising and Marketing						$76	$76		$76
91500 Employee Benefit contributions - Administrative	$29,912		$42,588			$67,508	$140,008		$140,008
91600 Office Expenses	$62,072		$18,852			$78,693	$159,617		$159,617
91700 Legal Expense	$4,693						$4,693		$4,693
91800 Travel						$2,961	$2,961		$2,961
91900 Other	$9,722		$54,675			$25,436	$89,833		$89,833
91000 Total Operating - Administrative	$520,884	$0	$284,918	$0	$0	$358,684	$1,164,486	-$408,488	$755,998
92000 Asset Management Fee	$45,840						$45,840	-$45,840	$0
92100 Tenant Services - Salaries	$1,400	$19,462	$6,787		$32,927		$60,576		$60,576
92300 Employee Benefit Contributions - Tenant Services		$17,320	$4,335		$27,238		$48,893		$48,893
92400 Tenant Services - Other	$8,146						$8,146		$8,146
92500 Total Tenant Services	$9,546	$36,782	$11,122	$0	$60,165	$0	$117,615	$0	$117,615

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2015

93100 Water	$66,705					$392	$67,097		$67,097
93200 Electricity	$191,858					$10,273	$202,131		$202,131
93300 Gas	$14,204					$2,944	$17,148		$17,148
93600 Sewer	$63,803					$274	$64,077		$64,077
93000 Total Utilities	$336,570	$0	$0	$0	$0	$13,883	$350,453	$0	$350,453
94100 Ordinary Maintenance and Operations - Labor	$122,085						$122,085		$122,085
94200 Ordinary Maintenance and Operations - Materials and Other	$110,619					$1,402	$112,021		$112,021
94300 Ordinary Maintenance and Operations Contracts	$547,887					$21,127	$569,014	-$34,064	$534,950
94500 Employee Benefit Contributions - Ordinary Maintenance	$64,938						$64,938		$64,938
94000 Total Maintenance	$845,529	$0	$0	$0	$0	$22,529	$868,058	-$34,064	$833,994
95200 Protective Services - Other Contract Costs	$37,249						$37,249		$37,249
95000 Total Protective Services	$37,249	$0	$0	$0	$0	$0	$37,249	$0	$37,249
96110 Property Insurance	$86,537					$4,771	$91,308		$91,308
96130 Workmen's Compensation	$6,747					$2,839	$9,586		$9,586
96100 Total insurance Premiums	$93,284	$0	$0	$0	$0	$7,610	$100,894	$0	$100,894
96200 Other General Expenses			$5,533				$5,533		$5,533
96210 Compensated Absences	$2,013					$2,283	$4,296		$4,296
96300 Payments in Lieu of Taxes	$43,303						$43,303		$43,303
96400 Bad debt - Tenant Rents	$57,751						$57,751		$57,751
96000 Total Other General Expenses	$103,067	$0	$5,533	$0	$0	$2,283	$110,883	$0	$110,883
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0	$0	$0	$0	$0	$0
96900 Total Operating Expenses	$1,991,969	$36,782	$301,573	$0	$60,165	$404,989	$2,795,478	-$488,392	$2,307,086
97000 Excess of Operating Revenue over Operating Expenses	$555,741	$0	$2,179,132	$0	$0	$94,265	$2,829,138	$0	$2,829,138
97100 Extraordinary Maintenance	$126,573						$126,573		$126,573
97300 Housing Assistance Payments			$2,336,821				$2,336,821		$2,336,821
97400 Depreciation Expense	$602,125			$54,586		$23,769	$680,480		$680,480
90000 Total Expenses	$2,720,667	$36,782	$2,638,394	$54,586	$60,165	$428,758	$5,939,352	-$488,392	$5,450,960

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2015

10010 Operating Transfer In	$50,000						$50,000	-$50,000	$0
10020 Operating transfer Out	-$50,000						-$50,000	$50,000	$0
10091 Inter Project Excess Cash Transfer In	$121,035						$121,035	-$121,035	$0
10092 Inter Project Excess Cash Transfer Out	-$121,035						-$121,035	$121,035	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$172,957	$0	-$157,689	-$54,586	$0	$70,496	-$314,736	$0	-$314,736
11030 Beginning Equity	$6,988,184	$0	$443,408	$1,003,754	$0	$696,357	$9,131,703		$9,131,703
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$187,109		-$72,292			-$165,846	-$425,247		-$425,247
11170 Administrative Fee Equity			$197,063				$197,063		$197,063
11180 Housing Assistance Payments Equity			$16,364				$16,364		$16,364
11190 Unit Months Available	4584		6360				10944		10944
11210 Number of Unit Months Leased	4483		5615				10098		10098
11270 Excess Cash	$757,779						$757,779		$757,779
11620 Building Purchases	$364,931					$0	$364,931		$364,931

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INDEPENDENT AUDITOR'S 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*

March 18, 2016

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

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 Chillicothe Metropolitan Housing Authority (the Authority), Ross County, Ohio, as of and for the year ended September 30, 2015, which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for year then ended, 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 18, 2016, wherein we noted that the Authority adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25,* GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 70, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* and adjusted its net pension at September 30, 2014.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 the internal control over financial reporting 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items Finding 2015-001 and Finding 2015-002.

Chillicothe Metropolitan Housing Authority’s Response to Findings

The Authority’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

March 18, 2016

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Chillicothe Metropolitan Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item Finding 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

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CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
SEPTEMBER 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #14.871 Section 8 Housing Choice Vouchers
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	$300,000
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 2015-001 – Noncompliance

Criteria: ORC 145.47(B) requires reporting and transmittal of employee contributions to OPERS not later than thirty days after the last day of the reporting period. The Authority has been noncompliant with this requirement since FY2010, at least.

Condition: The Authority did not comply with the Ohio Revised Code (ORC) concerning transmittal of employee contributions to the Ohio Public Employees Retirement System (OPERS).

Cause: Management oversight.

Effect: Employee contributions were not submitted in a timely manner resulting in the assessment of penalties and interest.

Recommendation: The Authority should remit and report employee contributions timely.

Management's Response: We were late four (4) times in fiscal year 2015 which caused a penalty of $205.25.

Finding 2015-002 – Noncompliance

Criteria: The Authority bylaws, ORC, and/or the Code of Federal Regulations (CFR) contain requirements regarding the governance of the Authority:

- The Board of Commissioners' bylaws require meetings to be held monthly;
- The bylaws and ORC 3735.27(B)(1)(b) require the board to consist of five commissioners;
- The bylaws, ORC 3735.27(F)(1), and 24 CFR 964.415(a) require one member of the board to be a resident of the authority.

Condition: The Board only met eight times during the year. Additionally, the Board did not consist of a representative Resident Commissioner throughout the year.

Cause: The Resident Commissioner resigned prior to the beginning of the fiscal year. A resident was designated for a portion of the year to serve out the remainder of the term which ended in March 2015. A new Resident Commissioner was not appointed at that time. Several meetings were cancelled during the fiscal year and were not rescheduled.

Effect: The Authority did not comply with the bylaws, and state and federal regulations.

Recommendation: We recommend the Board appoint a resident commissioner as soon as possible. Additionally, we recommend the Board reschedule meetings if it is not feasible for the board to meet on the date set forth in the bylaws.

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

Finding 2015-002 – Noncompliance (Continue)

Management's Response: Our Board is aware of the Resident Commissioner Requirement; we have had a resident on our board since October 2000. Our last resident commissioner left the board 04/ 22/2015 when she moved out. We had sent out fliers to our entire PH community of 387 as an outreach for another commissioner. We posted the fliers at our community rooms also. Our Section 8 also did an outreach.

At that time no one was interested or replied. Our Property Managers then began contacting residents verbally. Some didn't think their work or school schedule would allow them this commitment. We cannot force a resident into this position; however, we realize the need for compliance. We finally received two (2) responses…1 – Family Development and 1 – Elderly Disabled Site. We did receive a response from a resident who we felt would have been a great resident commissioner; however, it was found that her status would have been determined as a conflict of interest because her husband reconditions our units, and she assists as needed. We even contacted HUD for a waiver so we could fill this position. It was denied, and we have email documentation as to the degree we worked to have a resident commissioner. As of March 21, 2016, our newly elected Mayor appointed a Resident Commissioner to fulfill the term on the board caused by the prior vacancy.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2015-003 – Noncompliance with Program Requirements
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Federal Program: Section 8 Housing Choice Vouchers

Criteria: HUD requires the Housing Choice Voucher Program to either use a fee-for-service methodology for computing Management Fees or provide 'auditable documentation' to support alternate allocation of costs. For PHAs that elect to use a fee-for-service methodology for its program costs, HUD will consider a management fee of up to 20% of the administrative fee or up to $12 per unit month per voucher leased, whichever is higher, as meeting the requirement.

Condition: The Authority charged the COCC $45,732 as a management fee. They have not been able to provide documentation of how that amount was derived.

Cause: This dollar amount has remained the same for several years. It is possible that the basis for the calculation was not maintained after the retirement of the previous Fee Accountant in 2011.

Effect: There is no support for how the management fee was calculated.

Recommendation: We recommend the Authority recompute the fee for future periods using a percentage of the administrative fee or a per unit month per voucher leased methodology.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding 2015-003 – Noncompliance with Program Requirements
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Federal Program: Section 8 Housing Choice Vouchers

Management's Response: We contend the conclusion that the Authority did not comply with HUD requirements concerning the calculation of the management fee by not following an approved method for charging fees to the program is not valid. We refer to an excerpt of the compliance supplement for the program. It states "a management fee of up to… $12.00 PUM can be charged" – setting maximums that can be charged. It does not state if fees are going to be charged they must charge the maximum amount it can to the HCV Program because HCV programs often cannot afford to pay the full permitted maximum amounts at current levels of funding for admin being paid by HUD. The management fee was charged based on the budget amount. The board approved the operating budget containing the amount ultimately charged the HCV program for management fees.

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
JUNE 14, 2016