VINTON
METROPOLITAN HOUSING AUTHORITY

MCARTHUR, OHIO

SINGLE AUDIT

For the Year Ended September 30, 2016

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

JLU

Dave Yost • Auditor of State

Board of Directors
Vinton Metropolitan Housing Authority
310 W. High Street
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of the Vinton Metropolitan Housing Authority, Vinton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period October 1, 2015 through September 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

May 23, 2017

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VINTON METROPOLITAN HOUSING AUTHORITY
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J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report

Board of Directors
Vinton Metropolitan Housing Authority
310 W. High Street
McArthur, Ohio 45651

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Vinton Metropolitan Housing Authority (the Authority) as of and for the year ended September 30, 2016, and 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. Management is also responsible for 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 the *Governmental 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, we consider internal controls 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 statement.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1-5 and the schedules of net pension liabilities and pension contributions on pages 24-25 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 inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The schedule of expenditures of federal awards is required by Title 2 U.S. Code of Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The supplemental financial data schedules are required by the Department of Housing and Urban Development. The schedule of expenditures of federal awards and the supplemental financial data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the supplemental financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the supplemental financial data schedules 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 a report dated March 22, 2017, on our consideration of the Authority's internal control over financial reporting and 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 provide an opinion on internal control over financial reporting or on compliance. The 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

March 22, 2017

As management of the Vinton Metropolitan Housing Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights

1. The Authority has a negative net position of $19,617. This net position results from the difference between total assets and deferred outflows of resources of $96,121 and total liabilities and deferred inflows of resources of $115,738.
2. Current and other assets of $56,776 consist of non-restricted Cash and Cash Equivalents of $55,582 and Prepaid Expenses of $1,194.
3. Current liabilities of $29,904 consist of Accounts Payable of $21,413; Accrued Wages and Payroll Taxes Payable of $4,459; Accrued Compensated Absences of $1,123 and Mortgages Payable of $2,909.

Basic Financial Statements and Presentation

The financial statements presented by the Authority are the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position and Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority maintains several programs that are structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The *Statement of Net Position* presents information on all the Authority's assets deferred outflows of resources and liabilities deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net position, which indicate improved financial condition.

The *Statement of Revenues, Expenses and Change in Net Position* present information showing how the Authority's net position changed during the year. This statement summarizes operating revenues and expenses along with nonoperating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The *Statement of Cash Flows* allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is generally classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from noncapital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority

Recall that the statement of net position provides the perspective of the Authority as a whole, showing assets, liabilities, and the difference between them (net position). Table 1 provides a summary of the Authority's net position for 2016 compared to 2015:

Table 1

Condensed Summary of Net Position

	2016	2015
Assets:		
Current and Other Assets	$56,776	$36,429
Capital Assets, Net	31,739	33,897
Total Assets	88,515	70,326
Deferred Outflows of Resources	7,606	7,775
Liabilities:		
Current Liabilities	29,904	27,622
Long-Term Liabilities	84,874	68,365
Total Liabilities	114,778	95,987
Deferred Inflows of Resources	960	831
Net Position:		
Net Investments in Capital Assets	21,328	20,718
Restricted	94	0
Unrestricted	(41,039)	(39,435)
Total Net Position	($19,617)	($18,717)

During 2016, current and other assets increased by $20,347, and current liabilities increased by $2,282. The change in current assets was mainly due to the change in cash balance. This change was caused by the result of current year activities. The change in current liabilities is mainly due to the increase in accrued wages/payroll taxes payable.

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

Table 2

Condensed Summary of Revenues, Expenses and Change in Net Position

	2016	2015
Operating Revenues (Expenses):		
Operating Revenues	$780,970	$763,030
Operating Expenses (excluding depreciation)	(778,814)	(763,799)
Depreciation Expenses	(2,158)	(2,267)
Operating Income (Loss)	(2)	(3,036)
Nonoperating Revenue (Expenses):		
Interest Income	65	51
Interest Expense	(963)	(1,063)
Total Nonoperating Revenue (Expense)	(898)	(1,012)
Change in Net Position	(900)	(4,048)
Net Position, Beginning of Year	(18,717)	(14,669)
Net Position, End of Year	($19,617)	($18,717)

Financial Operating Activities

The most significant operating expenses for the Authority are Housing Assistance Payments, Administrative Salaries, Employee Benefits and Material and Labor/Maintenance. These expenses account for 97.63% of the total operating expenses. Housing Assistance Payments, which accounts for 81.41% of the total, represents costs associated with providing housing assistance for low-income tenants. Administrative Salaries, which accounts for 9.36% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which accounts for 5.30% of the total, represents costs associated with fringe benefits provided to employees. Material and Labor/Maintenance, which accounts for 1.56% of the total, represents maintenance expenses for normal business operations.

Funding for the most significant operating expenses indicated above is from HUD Grants. HUD Grants revenue for 2016 was $776,345.

The Authority monitors its sources of revenues very closely for fluctuations.

Capital Assets and Debt Administration

The Authority's investment in capital assets as of September 30, 2016, amounts to $21,328 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, equipment and vehicles.

Additional information concerning the Authority's capital assets can be found in Note 9 of the notes to the basic financial statements.

As of September 30, 2016, the Authority had $10,411 in mortgages payable with $2,909 due within one year.

Additional information concerning the Authority's long-term obligations can be found in Note 10 of the notes to the basic financial statements.

Economic Factors

The economic outlook for the Authority is uncertain at this time. The slow economy has an impact on low-income households' ability to pay rent. Federal funding is at the discretion of the U.S. Department of Housing and Urban Development and is insufficient to cover operating costs and capital related needs for Public Housing Units. Section 8 administrative fees decreased retroactively to January 1, 2004 by three percent and additional cuts are possible. Locally, we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact J. Richard Griffith, Executive Director, 310 W. High Street P.O. Box 487, McArthur, Ohio 45651.

VINTON METROPOLITAN HOUSING AUTHORITY
Statement of Net Position - Proprietary Fund Type
September 30, 2016

Assets:	
Current Assets:	
Cash - Unrestricted	$55,582
Prepaid Expenses	1,194
Total Current Assets	56,776
Noncurrent Assets:	
Nondepreciable Capital Assets	5,000
Depreciable Capital Assets	26,739
Total Noncurrent Assets	31,739
Total Assets	88,515
Deferred Outflows of Resources:	
Pension	7,606
Total Deferred Outflows of Resources	7,606
Liabilities:	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	4,459
Accounts Payable	21,413
Accrued Compensated Absences	1,123
Mortgages Payable	2,909
Total Current Liabilities	29,904
Noncurrent Liabilities:	
Accrued Compensated Absences	10,339
Mortgages Payable	7,502
Net Pension Liability	67,033
Total Noncurrent Liabilities	84,874
Total Liabilities	114,778
Deferred Inflows of Resources:	
Pension	960
Total Deferred Inflows of Resources	960
Net Position:	
Net Investment in Capital Assets	21,328
Restricted	94
Unrestricted	(41,039)
Total Net Position	($19,617)

The notes to the basic financial statements are an integral part of this statement.

VINTON METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund Type
For the Year Ended September 30, 2016

Operating Revenues:	
HUD Grants	$776,645
Other Revenue	4,325
Total Operating Revenues	780,970
Operating Expenses:	
Housing Assistance Payments	635,777
Administrative Salaries	73,086
Employee Benefits	41,427
Other - Administrative	9,037
Material and Labor/Maintenance	12,183
Utilities	4,124
General Expenses	3,180
Depreciation	2,158
Total Operating Expenses	780,972
Operating Income (Loss)	(2)
Nonoperating Revenue (Expense):	
Interest Income	65
Interest Expense	(963)
Total Nonoperating Revenue(Expense)	(898)
Change in Net Position	(900)
Net Position at Beginning of Year	(18,717)
Net Position at End of Year	($19,617)

The notes to the basic financial statements are an integral part of this statement.

VINTON METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows Proprietary Fund Type
For the Year Ended September 30, 2016

Cash Flow from Operating Activities:	
Cash Received from HUD	$776,645
Other Cash Receipts	4,325
Housing Assistance Payments	(635,777)
Administrative Salaries and Benefits	(96,724)
Other Administrative	(9,037)
Ordinary Maintenance	(12,183)
Other Operating Expenses	(3,180)
Net Cash Flow from Operating Activities	24,069
Cash Flow from Capital and Related Financing Activities:	
Cash Payments for Interest	(963)
Cash Payments for Principal	(2,768)
Net Cash Flow from Capital and Related Financing Activities	(3,731)
Cash Flow from Investing Activity:	
Cash Received from Interest	65
Net Increase (Decrease) in Cash and Cash Equivalents	20,403
Cash and Cash Equivalents - Beginning of Year	35,179
Cash and Cash Equivalents - End of Year	$55,582
Reconciliation of Operating Income (Loss) to Net Cash Flow from Operating Activities:	
Operating Income (Loss)	($2)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flow from Operating Activities:	
Depreciation	2,158
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Prepaid Expenses	56
Deferred Outflows of Resources	169
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accrued Wages & Benefits	2,539
Accrued Compensated Absences	(733)
Net Pension Obligation	19,753
Deferred Inflows of Resources	129
Net Cash Flow from Operating Activities	$24,069

The notes to the basic financial statements are an intergral part of this statement.

NOTE 1 - DESCRIPTION OF THE AUTHORITY, PROGRAMS AND REPORTING ENTITY

Description of the Authority and Programs

Vinton Metropolitan Housing Authority was created under Section 3735.07 of the Ohio Revised Code. The Authority contracts with the U.S. Department of Housing and Urban Development (HUD) to provide low-income persons with safe and sanitary housing through rent subsidies provided by HUD (Section 8 Housing Assistance). The majority of the Authority's rental income is received from HUD.

A summary of the significant programs administered by the Authority is provided below:

Section 8 Rental Voucher Program - Under the Section 8 Voucher Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. HUD contracts with the Authority, which in turn, contracts with the private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

Family Self Sufficiency (FSS) Program – This program is designed to help participants achieve economic independence and self-sufficiency.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Authority consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. For the Authority, this includes general operations and the Section 8 program.

The Vinton Metropolitan Housing Authority was established for the purpose of engaging the development, acquisition, and administrative activities of the low-income housing program. An Annual Contributions Contract (ACC) was signed by the Vinton Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which were detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability, is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 - <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> **-** (Continued)

<u>Basis of Presentation – Fund Accounting</u>

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the funds of the Authority are grouped into the following fund type.

PROPRIETARY FUND TYPE: The proprietary fund is used to account for the Authority's ongoing activities which are similar to those found in a private sector. The following is the Authority's proprietary fund:

Enterprise Fund **-** The enterprise fund is used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds.

<u>Measurement Focus</u>

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

<u>Basis of Accounting</u>

The proprietary fund type uses the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and measurable and expenses are recorded at the time liabilities are incurred, if measurable.

<u>Deferred Outflows and Deferred Inflows of Resources</u>

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 (expenditures/expenses) until then. The Authority reports a deferred outflow of resources for pensions as of September 30, 2016. The deferred outflows of resources related to pension are explained in Note 4. Deferred inflows of resources related to pension are reported on the Statement of Net Position.

NOTE 2 - <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> - (Continued)

<u>Budgetary Data</u>

The Authority is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Authority does maintain a budget for management purposes.

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value.

For purposes of the statement of cash flows and for presentation on the statement of net position, cash and cash equivalents include all highly liquid debt instruments with an original maturity of three months or less at the time they are purchased.

<u>Prepaid Items</u>

Payments made to vendors for services that will benefit periods beyond September 30, 2016, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

<u>Capital Assets</u>

Land, buildings, equipment and vehicles are recorded at historical cost. Donated land, buildings, equipment and vehicles are recorded at their fair value on the date donated. The Authority capitalizes all assets with a cost of $3,000 or more. Depreciation is calculated on a straight-line method using half-year convention over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	30
Equipment	7
Vehicles	5-7

<u>Compensated Absences</u>

The Authority reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences.*

Sick leave benefits are accrued as a liability using the vesting method. Sick leave benefits are accrued as a liability for employees who are currently eligible to receive termination benefits and those identified as probable of receiving payment in the future. Vacation benefits are accrued as a liability as the benefits are earned by the employees if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Authority will compensate the employees for the benefits through paid time off or some other means. The liability for sick leave and vacation benefits is based on accumulated unused balances and employees' wage rates at fiscal year end. Compensated absences are expensed when earned by the employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are primarily administrative, benefits, maintenance and operations, depreciation, and housing assistance payments.

Pensions

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

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 borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use by either internal or external restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Legal Requirements

State Statutes require the classification of cash into three categories.

Active cash is public deposits necessary to meet demands on the treasury. Such funds must be maintained either as cash in the Authority's treasury, in commercial or depository accounts payable or withdrawable on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive cash is public deposits not required for use within the current five year period of designation of depositories. Inactive funds may only be used to purchase investments which mature or are redeemable within five years from the date of purchase.

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Interim cash is public deposits not needed for immediate use but which will be needed before the current depository agreement expires. Interim funds may only be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool. (STAROhio);

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Public depositories must give security for all public funds on deposit. 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 Surety Company bonds with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by category of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* The Authority held no investments at the end of the year.

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at 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 Bank in the name of the Authority.

At September 30, 2016, the carrying amount of all Authority deposits was $55,582. All of the Authority's bank balance was covered by the Federal Deposit Insurance Corporation.

NOTE 4 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 Board does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 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 the 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 basis of accounting.

NOTE 4 - DEFINED BENEFIT RETIREMENT PLANS – (Continued)

Ohio Public Employees Retirement System (OPERS)

Plan Description – All Authority employees participate in the Ohio Public Employee Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features. While members (Authority employees) may elect the Member-Directed Plan and the Combined Plan, all Authority employee members are in OPERS' Traditional Plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

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

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

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

NOTE 4 - DEFINED BENEFIT RETIREMENT PLANS – (Continued)

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was $5,537 for year 2016.

Net Pension Liability

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

	OPERS
Proportionate Share of the Net Pension Liability	$67,033
Proportion of the Net Pension Liability	0.00038700%
Pension Expense	$20,051

NOTE 4 - DEFINED BENEFIT RETIREMENT PLANS – (Continued)

At September 30, 2016, the Board 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 investment earnings	$2,069
Authority contributions subsequent to the measurement date	5,537
Total Deferred Outflows of Resources	$7,606
Deferred Inflows of Resources	
Difference between expected and actual experience	$456
Changes in proportion and differences between Authority contributions and proportionate share of contributions	504
Total Deferred Inflows of Resources	$960

$5,537 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:

Fiscal Year Ending June 30:	Traditional
2017	($56)
2018	(374)
2019	(636)
2020	(43)
Total	($1,109)

Actuarial Assumptions

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

NOTE 4 - DEFINED BENEFIT RETIREMENT PLANS – (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% 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% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS managers investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 6.95% for 2015.

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 2015 and the long-term expected real rates of return.

NOTE 4 - DEFINED BENEFIT RETIREMENT PLANS – (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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 %

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents Board's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.00 percent, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability-Traditional	$106,800	$67,033	$33,491

NOTE 5 - POSTEMPLOYMENT BENEFITS

In addition to the pension benefit obligation described above, the OPERS provides postemployment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Plan or Combined Plan. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for postemployment health care coverage. Other postemployment benefits are advance-funded on an actuarially determined basis. A portion of each employer's contribution to the Traditional Plan or Combined Plan is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2016 contribution rate for local government employers was 14.0% of covered payroll. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during calendar year 2016. The Authority's required contributions that were allocated to fund postemployment benefits with OPERS for the year's ended September 30, 2016, 2015 and 2014 were $2,953, $2,801, and $2,781 respectively; 100% has been contributed for each year.

NOTE 5 - POSTEMPLOYMENT BENEFITS – (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 6 - COMPENSATED ABSENCES

Sick leave and vacation policies are established by the Board of Commissioners based on local and state laws.

Sick leave is earned at a rate of 4.60 hours per 80 hours of service. Unused sick leave may be accumulated without limit. At time of separation, employees shall be paid the value of up to 30 days of unused sick leave.

All permanent employees will earn vacation hours accumulated based on length of service. Unused vacation leave will be paid to the employees at the time of separation.

As of September 30, 2016, $11,462 was accrued for unused sick leave and vacation.

NOTE 7 - RISK MANAGEMENT

The Authority maintains comprehensive liability insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage from the prior year. There were no settlements that exceeded insurance coverage during the past three years.

NOTE 8 – ADMINISTRATIVE FEE

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts.

NOTE 9 - <u>CAPITAL ASSETS</u>

A summary of changes in capital assets during fiscal year 2016 were as follows:

	Balance at 10/1/2015	Additions	Deletions	Balance at 9/30/16
Nondepreciable Capital Assets:				
Land	$5,000	$0	$0	$5,000
Depreciable Capital Assets:				
Buildings and Improvements	56,039	0	0	56,039
Equipment	11,661	0	0	11,661
Vehicles	22,999	0	0	22,999
Total Depreciable Capital Assets	90,699	0	0	90,699
Total Capital Assets	95,699	0	0	95,699
Accumulated Depreciaiton:				
Buildings and Improvements	(27,142)	(2,158)	0	(29,300)
Equipment	(11,661)	0	0	(11,661)
Vehicles	(22,999)	0	0	(22,999)
Total Accumulated Depreciation	(61,802)	(2,158)	0	(63,960)
Total Capital Assets	33,897	(2,158)	0	31,739

NOTE 10 - <u>LONG-TERM OBLIGATIONS</u>

Changes in the long-term obligations of the Authority during the 2016 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at October 1, 2015	Additions	Deductions	Principal Outstanding at September 30, 2016	Amount Due In One Year
Administrative Building Mortgage	2010	4.95%	$13,179	$0	$2,768	$10,411	$2,909
Compensated Absences	n/a	n/a	$12,195	$7,098	$7,831	11,462	$1,123
Net Pension Liability	n/a	n/a	47,280	19,753	0	67,033	0
Total Long-Term Obligations			$72,654	$26,851	$10,599	$88,906	$4,032

The Authority entered into a mortgage payable obligation in fiscal year 2010 in the amount of $26,500 at an interest rate of 4.95% for the Authority’s administrative building. Payments are required on a monthly basis in the amount of $280 with the final payment due on February 1, 2020.

NOTE 10 - <u>LONG-TERM OBLIGATIONS</u> – (Continued)

Principal and interest requirements to retire debt at September 30, 2016, are as follows:

Year Ending September 30	Principal	Interest	Total
2017	$2,909	$457	$3,366
2018	3,057	309	3,366
2019	3,211	155	3,366
2020	1,234	17	1,251
Total of all Payments	$10,411	$938	$11,349

NOTE 12 – <u>ECONOMIC DEPENDENCY</u>

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

NOTE 13 – <u>CONTINGENCIES</u>

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms for the grants. Such audits could lead to reimbursement to the grantor agencies. Authority’s management believes disallowance, if any, will be immaterial.

In the normal course of operations, the Authority may be subject to litigation and claims. At September 30, 2016, the Authority was involved in no matters management believes will have a material effect on the basic financial statements.

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VINTON METROPOLITAN HOUSING AUTHORITY

Schedule of the Authority's Proportionate Share of Net Pension Liablity

Last Two Fiscal Years (1)

	2015	2014	2013
Ohio Public Employees Retirement System			
Authority's Proportion of the Net Pension Liability (Asset) - Traditional	0.00038700%	0.00039200%	0.00039200%
Authority's Proportionate Share of the Net Pension Liability (Asset) - Traditional	$67,033	$47,280	$46,212
Authority's Covered-Employee Payroll	$70,029	$69,529	$69,028
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	95.72%	68.00%	66.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Traditional	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Authority's measurement date which is the prior fiscal year end

VINTON METROPOLITAN HOUSING AUTHORITY

Schedule of the Authority's Contributions

Last Three Fiscal Years (1)

	2016	2015	2014	2013
Ohio Public Employees Retirement System				
Contractually Required Contributions	$10,335	$9,804	$9,734	$9,664
Contributions in Relation to the Contractually Required Contributions	($10,335)	($9,804)	(9,734)	(9,664)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Board Covered-Employee Payroll	$73,821	$70,029	$69,529	$69,029
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%

(1) Information prior to 2013 is not available.

VINTON METROPOLITAN HOUSING AUTHORITY
Schedule of Net Position - Proprietary Fund Type
FDS Schedule Submitted to HUD
For the Year Ended September 30, 2016

FDS Line Item No.	Account Description	Section 8
	ASSETS	
111	Cash - unrestricted	55,582
100	TOTAL CASH	55,582
142	Prepaid expenses and other assets	1,194
150	TOTAL CURRENT ASSETS	56,776
161	Land	5,000
162	Building	56,039
164	Equipment	34,660
166	Accumulated depreciation	(63,960)
160	FIXED ASSETS, NET	31,739
180	TOTAL NON-CURRENT ASSETS	31,739
200	Deferred Outflows of Resources	7,606
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	96,121
	LIABILITIES	
312	Accounts payable <=90 days	21,413
321	Accrued wages/payroll taxes	4,459
322	Accrued compensated absences - curren	1,123
348	Loan Liability-Current	2,909
310	TOTAL CURRENT LIABILITIES	29,904
354	Accrued compensated absences - noncurren	10,339
355	Loan Liability-noncurrent	7,502
357	Accrued Pension and OPEB Liabilities	67,033
350	TOTAL NONCURRENT LIABILITIES	84,874
300	TOTAL LIABILITIES	114,778
400	Deferred Inflows of Resources	960
508.1	Invested in capital assets, net of related deb	21,328
511.4	Restricted net position	94
512.1	Unrestricted net position	(41,039)
513	TOTAL EQUITY	(19,617)
600	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY-NET POSITION	96,121

VINTON METROPOLITAN HOUSING AUTHORITY
Schedule of Revenues, Expenses and Change in Net Position
Proprietary Fund Type
FDS Schedule Submitted to HUD
For the Year Ended September 30, 2016

FDS Line Item No.	Account Description	Section 8
	REVENUE	
70600-010	Housing Assistance Payments	$776,645
71100	Investment income - unrestricted	65
71500	Other revenue	4,325
70000	TOTAL REVENUE	781,035
	EXPENSES	
91100	Administrative salaries	73,086
91200	Auditing Fees	5,000
91310	Book-Keeping Fee	4,037
91500	Employee benefits contributions-administrative	41,427
93100	Utilities-water	255
93200	Utilities-electricity	1,386
93800	Other Utilities Expense	2,483
94200	Ordinary Maintenance and Operations-Material and Other	12,183
96100	Insurance Premiums	3,180
96710	Interest of Mortgage Payable	963
96900	TOTAL OPERATING EXPENSES	144,000
97000	EXCESS OPERATING REVENUE OVER EXPENSES	637,035
97300	Housing Assistance Payments	635,777
97400	Depreciation expense	2,158
90000	TOTAL EXPENSES	781,935
10000	EXCESS OF OPERATING REVENUE OVER EXPENSES	(900)
11030	Beginning equity	(18,717)
	ENDING EQUITY	($19,617)
11020	Debt principal payments-Enterprise fund	$2,768

VINTON METROPOLITAN HOUSING AUTHORITY
Summary of Activities
For the Year Ended September 30, 2016

	Units
Section 8 Gross Number of Units	196
Section 8 Number of Units Leased	171

VINTON METROPOLITAN HOUSING AUTHORITY
Schedule of Federal Awards Expenditures
For the Year Ended September 30, 2016

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Passed through to Subrecipiant	Expenditures
U.S. Department of Housing and Urban Developmen				
Direct from Federal Government:				
Section 8 Rental Voucher Program - Contract C-5110	---	14.871	$0	$776,348
Total U.S. Department of Housing and Urban Developmen			$0	776,348
Total Federal Financial Assistance			$0	$776,348

NOTE 1 - BASIS OF PRESENTATION

The accompaynying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activitiy of Vinton Metropolitan Housing Authority (the Authority) under programs of the federal governemnt for the fiscal year ended September 30, 2016. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Directors
Vinton Metropolitan Housing Authority
310 W. High Street
McArthur, Ohio 45651

We have audited, 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 of America, the financial statements of the Vinton Metropolitan Housing Authority (the Authority) as of and for the year ended September 30, 2016, 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 22, 2017.

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 supporting our opinions or 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material misstatement, yet important enough to merit attention by those charged with governance. We consider finding 2016-001 described in the accompanying Schedule of Findings to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance whether the Authority’s financial statements are free of material misstatement, we performed test 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards.*

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

March 22, 2017

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Vinton Metropolitan Housing Authority
310 W. High Street
McArthur, Ohio 45651

Report on Compliance for Each Major Federal Program

We have audited Vinton Metropolitan Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material affect on the Authority's major federal program for the year ended September 30, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material affect 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 Authority's major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

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Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the type 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 our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not to the extent needed for 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 to 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 timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or 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 a material weakness. However, material weaknesses may exist that have not been identified.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

March 22, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1.	***Type of Financial Statement Opinion***	Unmodified
2.	***Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?***	Yes
3.	***Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?***	No
4.	***Was there any material noncompliance reported at the financial statement level (GAGAS)?***	No
5.	***Were there any material internal control weaknesses reported for major federal programs?***	No
6.	***Were there any other significant internal control deficiencies reported for major federal programs?***	No
7.	***Type of Major Program Compliance Opinion***	Unmodified
8.	***Are there any reportable findings under § .510(a)?***	No
9.	***Major Program (list):***	Section 8 Rental Voucher Program CFDA #14.871
10.	***Dollar Threshold: Type A/B Programs***	Type A: >$750,000 Type B: All Other Programs
11.	***Low Risk Auditee?***	No

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

Finding Number 2016-001

<u>Financial Statement Adjustments – Material Weakness</u>

Sound financial reporting is the responsibility of the Authority and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. A monitoring system by the Authority should be in place to prevent or detect misstatements to help ensure the accurate presentation of the Authority's financial statements.

Finding Number 2016-001-*(Continued)*

Certain errors were corrected in the financial statements to ensure the financial statements were not materially misstated. The Authority made the following proposed audit adjustments to the September 30, 2016 financial statements:

1. To properly record depreciable capital assets.
2. To properly record mortgage payable.
3. To reclassify some revenue and expense amounts.
4. Adjustments were made to the notes to the financial statements.

The adjustments identified above should be reviewed by the Authority to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Authority adopt procedures for the review of the activity posted to the accounting records and implement monitoring procedures over the financial reporting process to ensure that financial information presented adheres to generally accepted accounting principles.

Officials Response

No response provided by the Authority.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards.

Dave Yost • Auditor of State

VINTON METROPOLITAN HOUSING AUTHORITY

VINTON 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 6, 2017