

CONSORTIUM OF NORTHWEST OHIO

Financial Condition

As of

June 30, 2017

Together with Auditors' Report



Dave Yost • Auditor of State

Board of Trustees
Consortium of Northwest Ohio
P. O. Box 1029
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Consortium of Northwest Ohio, Henry County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 18, 2018

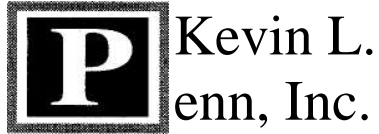
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**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY**

Table of Content

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Statement of Net Position	11
Statement of Revenues and Expenses and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14
Required Supplementary Information:	
Schedule of Authority's Proportionate Share of the Net Pension Liability	28
Schedule of Authority's Contributions	29
Notes to the Required Supplementary Information	30
Supplementary and Other Information:	
Financial Data Schedule – Consolidating Statement of Net Position	31
Financial Data Schedule – Consolidating Statement of Revenue and Expenses and Changes in Net Position	32
Entity Wide Balance Sheet Summary – Bowling Green	33
Entity Wide Revenue and Expense Summary – Bowling Green	34
Entity Wide Balance Sheet Summary – Williams	35
Entity Wide Revenue and Expense Summary – Williams	36
Entity Wide Balance Sheet Summary – Henry	37
Entity Wide Revenue and Expense Summary – Henry	39
Schedule of Expenditures of Federal Awards	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	41
Independent Auditors' Report on Compliance for each Major Program and Internal Control over Compliance Required by the Uniform Guidance	43
Schedule of Findings	45
Summary Schedule of Prior Audit Findings	46

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Independent Auditor's Report

Board of Trustees
Consortium of Northwest Ohio
Henry County

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Consortium of Northwest Ohio, Henry County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium of Northwest Ohio's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Consortium of Northwest Ohio, Henry County, Ohio as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, on pages 4 through 10 and Schedules of the Authority's Proportionate Share of the Net Pension Liability and the Authority's Pension Contributions to the Ohio Public Employees Retirement System on pages 28 and 29, be presented to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2017 on my consideration of the Consortium of Northwest Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium of Northwest Ohio's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

November 18, 2017

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- During FY 2017, the Consortium’s net position increased by \$36,575. Since the Consortium engages only in business-type activities, the increase is all in the category of business-type net position. Net positions were \$42,183 and \$78,758 for FY 2016 and FY 2017 respectively.
- The revenue increased by \$139,601 (or 7.71%) during FY 2017, and was \$1,810,148 and \$1,949,749 for FY 2016 and FY 2017 respectively.
- Total expenses increased by \$137,561 (or 7.75%) during FY2017 and were \$1,775,613 and \$1,913,174 for FY 2016 and FY 2017 respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Business Activities:-The Business Activity account was set up to separate the non-HUD activities from the HUD funded programs. This account represents resources developed from management of the other Authorities in the Consortium and inspection services provided to other entities.

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

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

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

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

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

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

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

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

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

Statement of Net Position

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

STATEMENT OF NET POSITION

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 253,225	\$ 184,117
Capital Assets	15,877	14,295
Deferred Outflow of Resources	92,253	63,713
Total Assets	361,355	262,125
Current Liabilities	24,869	12,724
Non-Current Liabilities	256,364	203,721
Deferred Inflow of Resources	1,364	3,497
Total Liabilities	282,597	219,942
Net position:		
Net Investment in Capital Assets	15,877	14,295
Restricted - HAP	49,034	7,144
Unrestricted	13,847	20,744
Total Net Position	\$78,758	\$42,183

Major Factors Affecting the Statement of Net Position

Current and other assets increased by \$69,048 or a 37.5% increase in fiscal year 2017. This is the result of the addition HAP funds (NRP) and Unearned Admin funds revenues along with the current year's surplus. The change in the Capital Assets, Net is detailed later in the MDA discussion but the increase is from this year's building improvements less depreciation expense. Current year Pension Liability increases and Compensated Absences increase resulted in the \$52,643 or 25.84% increase in Non-current liabilities.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

While the result of operations is a significant measure of the Consortium's activities, the analysis of the changes in Unrestricted and Restricted Net Position provides a clearer change in financial well-being.

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net position June 30, 2016		\$ 20,744
Results of Operations	(5,315)	
Adjustments:		
Depreciation (1)	<u>5,057</u>	
Adjusted Results from Operations		(258)
Retirement of Debt		(0)
Capital Expenditures		<u>(6,639)</u>
Unrestricted Net position June 30, 2017		<u><u>\$13,847</u></u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net position.

CHANGE OF RESTRICTED NET POSITION

Restricted Net position June 30, 2016		\$ 7,144
Results of Operations		
HAP reserves unspent	\$ 39,903	
Fraud Recovery Payments	<u>1,987</u>	
Adjusted Results from Operations		<u>41,890</u>
Restricted Net position June 30, 2017		<u><u>\$ 49,034</u></u>

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**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	FY 2017	FY 2016
Revenues		
HUD PHA Operating Grants	\$1,945,547	\$1,787,508
Investment Income	139	93
Other Revenues	4,063	4,781
Unrestricted reserve balance SRO	0	17,766
Total Revenue	1,949,749	1,810,148
Expenses		
Administrative	259,431	239,033
Maintenance & operations	11,601	11,047
General(Insurance & Comp abs)	12,780	14,199
Housing Assistance Payments	1,624,305	1,506,935
Depreciation	5,057	4,392
Interest	0	6
Total Expenses	1,913,174	1,775,613
Net Increase/(Decrease)	\$ 36,575	\$ 34,535
Net Position at July 1	<u>42,183</u>	<u>7,647</u>
Net Position at June 30	\$78,758	\$42,183

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

HUD PHA Operating Grants increased by 158,039 or 8.84% in fiscal year 2017 due funding increases for the HCV program and a full year of the SRO program. This was also the cause of the Housing Assistance Payments increases of \$117,370 or 7.89% in fiscal year 2017.

Leasing increased slightly in 2017, total unit months leased were 5504 compared to 5490 unit months leased in 2016.

The \$36,575 increase in net position is the result of a \$41,890 increase to restricted housing assistance payment funds (NRP) and a \$5,315 decrease to administrative operations.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the Consortium had \$15,877 invested in capital assets as reflected in the following schedule, which represents a net increase for fiscal year 2017. (Additions, deductions and depreciation).

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

Business-type Activities:

	<u>FY 2016</u>		<u>FY 2016</u>
Land/Building	\$84,511		\$84,511
Equipment & Furniture	31,550		31,550
Building Improvements	59,880		53,241
Accumulated Depreciation	<u>(160,064)</u>		<u>(155,007)</u>
	<u>\$15,877</u>		<u>\$14,295</u>

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

CHANGE IN CAPITAL ASSETS

Beginning Balance as of July 1, 2016	\$14,295
Additions	6,639
Depreciation	<u>(5,057)</u>
Ending Balance as of June30,2017	<u>\$15,877</u>

Debt Outstanding

As of June 30, 2017, the Consortium has no outstanding debt (bonds, notes, etc.). The mortgage was paid off FY 2016.

ECONOMIC FACTORS

Significant economic factors affecting the Consortium are as follows:

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

FINANCIAL CONTACT

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

CONSORTIUM OF NORTHWEST OHIO
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 191,606
Restricted Cash (Note 3)	49,034
Intergovernmental Receivable	6,849
Prepaid Expenses	5,736
Total Current Assets	<u>253,225</u>
Non-Current Assets	
Depreciable Capital Assets	175,941
Accumulated Depreciation	<u>(160,064)</u>
Total Capital Assets	<u>15,877</u>
Total Non-Current Assets	<u>15,877</u>
Total Assets	<u>269,102</u>
Deferred Outflow of Resources	<u>92,253</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 361,355</u></u>
LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 4,146
Accrued Wages and Payroll Taxes	2,378
Unearned Revenue	14,930
Accrued Compensated Absences	<u>3,415</u>
Total Current Liabilities	24,869
Non-Current Liabilities	
Accrued Compensated Absences	27,237
Net Pension Liability	<u>229,127</u>
Total Non-Current Liabilities	<u>256,364</u>
Total Liabilities	<u><u>\$ 281,233</u></u>
Deferred Inflow of Resources	<u><u>\$ 1,364</u></u>
Net Position	
Net Investment in Capital Assets	\$ 15,877
Restricted	49,034
Unrestricted	<u>13,847</u>
Total Net Position	<u><u>\$ 78,758</u></u>

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

CONSORTIUM OF NORTHWEST OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 1,945,547
Other Revenue	4,063
Total Operating Revenue	<u>1,949,610</u>

Operating Expenses:

Housing Assistance Payments	1,624,305
Salaries	135,542
Employee Benefits	71,600
Other Administrative Expense	55,704
Material and Labor - Maintenance	11,601
Depreciation Expense	5,057
General Expenses	9,365
Total Operating Expenses	<u>1,913,174</u>

Operating Income (Loss)	36,436
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Non-Operating Revenues (Expenses)

Interest Revenue	139
Total Non-Operating Revenues (Expenses)	<u>139</u>

Change in Net Position	36,575
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Net Position - Beginning of Year	<u>42,183</u>
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Net Position - End of Year	<u>\$ 78,758</u>
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The accompanying notes are an integral part of the financial statements.

CONSORTIUM OF NORTHWEST OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Cash Flows From Operating Activities:	
Cash Received from HUD	\$ 1,945,547
Cash Received from Other Income	4,063
Cash Payments for Housing assistance payments	(1,624,305)
Cash Payments for Administrative	(230,681)
Cash Payments for Other Operating Expenses	<u>(20,966)</u>
Net Cash Provided (Used) by Operating Activities	73,658
Cash Flows From Capital and Related Financing Activities:	
	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	0
Cash Flows From Investing Activities:	
Fixed Asset Additions	(6,639)
Investment Income	<u>139</u>
Net Cash Provided (Used) by Investing Activities	(6,500)
Increase (Decrease) in Cash and Cash Equivalents	67,158
Cash and Cash Equivalents - Beginning of Year	<u>173,482</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 240,640</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 36,436
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	5,057
(Increase) decrease in:	
Accounts Receivable	(1,919)
Prepaid Expenses	(31)
Deferred Outflow of Resources	(28,540)
Increase (decrease) in:	
Accounts Payable	(1,120)
Intergovernmental Payable	(526)
Compensated Absences	3,415
Accrued Expenses	(31)
Unearned Revenue	14,930
Net Pension Liability	48,120
Deferred Inflow of Resources	<u>(2,133)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 73,658</u></u>

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Fund Accounting

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

Proprietary Fund Types:

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

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

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

Basis of Consolidation

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

Accounting and Reporting for Nonexchange Transactions

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

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

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

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal yearend of \$49,034 represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Consortium first applies restricted resources. The Consortium did not have net position restricted by enabling legislature at June 30, 2017.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

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

Prepaid Items

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

Accounts Receivable

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Consortium had restricted assets for Housing Assistance Payment equity balances of \$49,034.

Operating Revenues and Expenses

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

Pensions – Deferred Inflow/Outflow of Resources

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

2. CASH AND CASH EQUIVALENTS

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

2. CASH AND CASH EQUIVALENTS-CONTINUED

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

Cash and cash equivalents included in the Consortium's cash position at June 30, 2017 are as follows:

Demand deposits:	<u>Checking</u>	<u>Savings</u>
Bank balance	\$ 216,768	\$ 33,724
Items-in-transit	(9,852)	-
Carrying balance	<u>\$ 206,916</u>	<u>\$ 33,724</u>

In addition, the Consortium maintains \$50 in petty cash funds. The fiscal year-end cash balance of \$250,492 was covered by federal deposit insurance.

Based on the Consortium having only demand deposits at June 30, 2017, the Consortium is not subject to interest rate, credit, concentration, or custodial credit risks.

3. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2017:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2017</u>
Capital Assets Depreciated				
Building	84,511	-	-	84,511
Building Improvements	53,241	6,639	-	59,880
Furniture, fixtures, and equipment	<u>31,550</u>	<u>-</u>	<u>-</u>	<u>31,550</u>
Total Capital Assets Depreciated	<u>169,302</u>	<u>-</u>	<u>-</u>	<u>175,941</u>
Accumulated Depreciation				
Building	(71,730)	(4,266)	-	(75,996)
Building Improvements	(52,228)	(791)	-	(53,019)
Furniture, fixtures, and equipment	<u>(31,049)</u>	<u>(0)</u>	<u>-</u>	<u>(31,049)</u>
Total Accumulated Depreciation	<u>(155,007)</u>	<u>(5,057)</u>	<u>-</u>	<u>(160,064)</u>
Total Capital Assets, Net	<u>\$ 14,295</u>	<u>\$ 1,582</u>	<u>\$ 0</u>	<u>\$ 15,877</u>

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2017:

	Balance at July 1, 2016	Additions	Deductions	Balance at June 30, 2017	Due in One Year
Compensated Absences	\$ 27,237	\$ 9,094	\$ (5,679)	\$ 30,652	\$ 3,415
Net Pension Liability	181,007	48,120	_____	229,127	0
Total	<u>\$208,244</u>	<u>\$57,214</u>	<u>\$ (5,679)</u>	<u>\$259,779</u>	<u>\$ 3,415</u>

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

5. DEFINED BENEFIT PENSION PLAN

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 net pension liability represents the Authority’s proportionate share of the Ohio Public Employee Retirement System (OPERS) Pension Plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of its 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 OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees 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.

Plan Description

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee’s employment. Contributions made prior to the employee’s plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN (continued)

Plan Description

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2016 can be found in the OPERS 2016 Comprehensive Annual Financial Report.

Pension Benefits – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

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.

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 35 or more years of service credit. Group C is 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% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% 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 requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

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 benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN (continued)

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

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. 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 if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they qualify for survivor benefits. 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-Direct Plan participants.

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of reemployment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN (continued)

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

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 of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2016.

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 determines 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 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.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for fiscal year 2017. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for fiscal year 2017 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2016 was \$18,258, which represented 100% of the Authority's required contribution, and the Authority's proportionate share of pension expense during the same period was \$18,498. The Authority did not make any contributions to the Combined Plan during calendar year 2016.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2016, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2016, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2016, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$ 229,127
Proportion of the Net Pension Liability	0.0010090%
Pension Expense	\$ 18,498

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation Date	December 31, 2016	December 31, 2016
Experience Study	5 Year Period Ending December 31, 2015	5 Year Period Ending December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25-10.05% (includes wage inflation at 3.25%)	3.25–8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions (continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 7.5% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Authority's proportionate share of the net pension liability	\$ 350,042	\$ 229,127	\$ 128,365

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board of Trustees approved asset allocation policy for 2016 and the long-term expected real rates of return.

Asset Class	Allocation	Real Rate of Return
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	<u>18.00%</u>	4.92%
Total	<u>100%</u>	5.66%

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 by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages 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 was .4% for 2016.

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2016, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN (continued)

Deferred Inflows and Deferred Outflows

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2016. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2016.

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 70,775
Authority contributions subsequent to the measurement Date	<u>21,478</u>
Total Deferred Outflows of Resources	<u>\$ 92,253</u>

Deferred Inflows of Resources

Differences between expected and actual experience	<u>\$ 1,364</u>
--	-----------------

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the Authority's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Outflows of Resources
2017	\$ (28,631)
2018	(29,651)
2019	(12,130)
2020	1,000
Thereafter	<u>-</u>
Total	<u>\$ (69,411)</u>

6. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans 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 OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2017. Please see the Plan Statement in the OPERS 2016 CAFR for details.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

6. OTHER POST-EMPLOYMENT BENEFITS (continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2017, the Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. Effective January 1, 2017, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

In fiscal year 2017, the Authority's contributions to OPERS totaled \$18,498. Of this amount, \$2,643 was allocated to the health care plan. The portion of the Authority's fiscal year 2016 and 2015 contributions that were allocated to the health care plan was \$2,571 and \$2,651, respectively.

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, 2017. 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.

7. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Consortium are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Consortium at June 30, 2017.

B. Litigation

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

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

8. RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and nature disaster. During fiscal year 2017, the Consortium purchased commercial insurance for vehicle, health, general liability, building contents, and real property insurance.

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

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

9. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 18, 2017, the date on which the financial statements were available to be issued.

10. CHANGES BETWEEN MEASUREMENT DATE AND REPORT DATE

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Government's net pension liability is expected to be significant.

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2017
(UNAUDITED)**

	2017	2016
Authority's Proportion of the Net Pension Liability	0.0010090%	0.0010450%
Authority's Proportionate Share of the Net Pension Liability	\$ 229,127	\$ 181,007
Authority's Covered Employee Payroll	\$ 132,129	\$ 128,574
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	173.41%	140.78%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	77.25%	81.08%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required employer contribution	\$ 18,498	\$ 18,000	\$ 18,558	\$20,399	\$ 20,476	\$21,265	\$ 21,027	\$ 20,540	\$ 19,937	\$18,914
Contributions in relation to the contractually required contribution	\$ (18,498)	\$(18,000)	\$ (18,558)	\$(20,399)	\$(20,476)	\$(21,265)	\$(21,027)	\$(20,540)	\$(19,937)	\$(18,914)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority covered-employee payroll	\$ 132,129	\$128,571	\$ 132,557	\$145,707	\$146,257	\$151,893	\$150,193	\$146,714	\$142,407	\$135,876
Contribution as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%

**CONSORTIUM OF NORTHWEST OHIO
HENRY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Ohio Public Employees' Retirement System

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

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Consortium of Northwest Ohio
Consolidating Statement of Net Position
June 30, 2017

Account Description	Henry Metropolitan Housing Authority	Bowling Green Housing Authority	Williams Metropolitan Housing Authority	Eliminations	Consolidated Consortium's TOTALS
Current Assets					
Cash - Unrestricted	\$ 119,650	\$ 7,167	\$ 64,789	\$ -	\$ 191,606
Cash - Restricted	19,444	3,384	26,206		49,034
Total Cash	139,094	10,551	90,995	-	240,640
Intergovernmental Receivable			6,083		6,083
Accounts Receivable					
Accounts Receivable - HUD Other Project	732		-		732
Miscellaneous	34				
Fraud Recovery	1,392	729	4,646		6,767
Allowance for Doubtful Accounts	(1,392)	(729)	(4,646)	-	(6,767)
Total Receivables, Net of Allowance for Doubtful Accounts	766	-	6,083	-	6,849
Prepaid Expenses	5,736				5,736
Total Current Assets	145,596	10,551	97,078	-	253,225
Capital Assets					
Buildings	84,511				84,511
F/E/M Admin.	18,792	-	12,758	-	31,550
Leasehold Improvements	59,880				59,880
Accum Depreciation	(147,806)		(12,258)		(160,064)
Total Capital Assets, Net of Accumulated Depreciation	15,377	-	500	-	15,877
Total Assets	160,973	10,551	97,578	-	269,102
Deferred Outflow of Resources	92,253				92,253
Current Liabilities					
A/P <= 90 days	4,146	-	-		4,146
Accrued Wage/Taxes Payable	2,378				2,378
Accrued Comp Abs. - Current	3,415				3,415
Unearned Revenue	3,171		11,759		14,930
Total Current Liabilities	13,110	-	11,759	-	24,869
Non-Current Liabilities					
Accrued Comp Abs. - Noncurrent	27,237				27,237
Accrued Pension	229,127				229,127
Total Non-Current Liabilities	256,364	-	-	-	256,364
Total Liabilities	269,474	-	11,759	-	281,233
Deferred Inflow of Resources	1,364				1,364
Invested in Capital Assets Net	15,377		500		15,877
Restricted Net Position	19,444	3,384	26,206		49,034
Unrestricted Net Position	(52,433)	7,167	59,113		13,847
Total Net Position	\$ (17,612)	\$ 10,551	\$ 85,819	\$ -	\$ 78,758

Consortium of Northwest Ohio
Consolidating Statement of Revenue and Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Account Description	Henry Metropolitan Housing Authority	Bowling Green Housing Authority	Williams Metropolitan Housing Authority	Eliminations	Consolidated Consortium's TOTALS
Revenue					
HUD Operating Subsidies and Grants	\$ 972,940	\$ 483,401	\$ 489,206	\$ -	\$ 1,945,547
Other Revenue					
Fraud Recovery	2,018	900	1,055		3,973
Other Revenue	142,335			(142,245)	90
Total Other Revenue	144,353	900	1,055	(142,245)	4,063
TOTAL REVENUE	1,117,293	484,301	490,261	(142,245)	1,949,610
Expenses					
Housing Assistance Payments	815,346	411,202	397,757		1,624,305
Administrative Salaries	132,127				132,127
Compensated Absences	3,415				3,415
Total Salaries	135,542	-	-	-	135,542
Employee Benefits	71,600				71,600
Administrative Expenses					
Audit Fee	6,311				6,311
Management Fees		69,866	72,379	(142,245)	-
Advertisement & Marketing	123				123
Office Expenses	29,812	205	134		30,151
Travel	867				867
Other	18,252				18,252
Total Administrative Expenses	55,365	70,071	72,513	(142,245)	55,704
Ordinary Maintenance and Operations					
Materials and Other	11,601	-	-	-	11,601
Depreciation Expense	5,057	-	-	-	5,057
General					
Insurance Premiums	8,885				8,885
Workmen's Compensation	480	-	-	-	480
Total Operating Expenses	1,103,876	481,273	470,270	(142,245)	1,913,174
Non-Operating Revenues (Expenses)					
Interest Revenue	87	8	44	-	139
Interest Expense	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	87	8	44	-	139
Change in Net Position	13,504	3,036	20,035	-	36,575
Net Position - Beginning of Year	(31,116)	7,515	65,784	-	42,183
Net Position - End of Year	\$ (17,612)	\$ 10,551	\$ 85,819	-	\$ 78,758

Consortium of Northwest Ohio
 Henry County
 Entity Wide Balance Sheet Summary
 FDS Schedule Submitted to HUD
 June 30, 2017

<u>Line item</u>	<u>Account Description</u>	Bowling Green Section 8 14.871 Housing Choice Voucher
	Current Assets	
111	Cash - Unrestricted	\$ 7,167
113	Cash - Restricted	3,384
100	Total Cash	<u>10,551</u>
	Accounts Receivable	
122	HUD Other Project	-
128	Fraud Recovery	729
128.1	Allow Doubtful Accounts	(729)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>-</u>
150	Total Current Assets	<u><u>10,551</u></u>
290	TOTAL ASSETS	<u><u>\$ 10,551</u></u>
333	Accounts Payable - Other Governments	<u>\$ -</u>
310	Total Current Liabilities	<u>-</u>
	Total Liabilities	-
511.1	Restricted Net Position	3,384
512.1	Unrestricted Net Position	<u>7,167</u>
513	Total Equity/Net Position	<u>10,551</u>
600	TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 10,551</u></u>

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

Consortium of Northwest Ohio
 Henry County
 Entity Wide Revenue and Expense Summary
 FDS Schedule Submitted to HUD
 June 30, 2017

<u>Line item</u>	<u>Account Description</u>	<u>Bowling Green Section 8 14.871 Housing Choice Voucher</u>
	Revenue	
706-010	Housing Assistance Payment Revenue	\$ 413,759
706-020	Administrative Fee Revenues	69,642
706	HUD PHA Operating Grants	<u>483,401</u>
711	Investment Income - PHA	8
714	Fraud Recovery - PHA	<u>900</u>
700	Total Revenue	484,309
	Expense	
913	Management Fees	69,866
916	Office Expenses	<u>205</u>
	Total Operating - Administrative	<u>70,071</u>
	Total Operating Expenses	<u>70,071</u>
970	Excess Operating Revenue over Expenses	414,238
	Other Expenses	
973	Housing Assistance Payments	<u>411,202</u>
900	Total Expenses	481,273
1000	Excess of Revenues over Expenses	3,036
1103	Beginning Net Position	<u>7515</u>
1117	Administrative Fee Equity	7167
1118	Housing Assistance Payment Equity	<u>3384</u>
	Total Ending Net Position	<u>\$ 10,551</u>

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2017

Financial Data Schedule Submitted to U.S. Department of HUD

		Williams Section 8 14.871 Housing Choice Voucher
Line Item	Account Description	-
111	Cash - Unrestricted	\$ 64,789
113	Cash - Restricted	<u>26,206</u>
100	Total Cash	90,995
122	Acct Rec-HUD Other Project	-
124	Acct Rec- Other Government	6,083
128	Fraud Recovery	4,646
128.1	Allow Doubtful Accounts	(4,646)
120	Net Total Receivables	<u>6,083</u>
150	Total Current Assets	97,078
164	F/E/M Admin.	12,758
166	Accum Depreciation	<u>(12,258)</u>
160	Net Fixed Assets	<u>500</u>
290	TOTAL ASSETS	<u>\$ 97,578</u>
342	Unearned Revenue	<u>\$ 11,759</u>
	Total Liabilities	11,759
508.1	Invested in Capital Assets Net	500
511.1	Restricted Net Position	26,206
512.1	Unrestricted Net Position	<u>59,113</u>
513	Total Equity/Net Position	<u>85,819</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 97,578</u>

Consortium of Northwest Ohio
 Henry County
 Entity Wide Balance Sheet Summary
 FDS Schedule Submitted to HUD
 June 30, 2017

Financial Data Schedule Submitted to U.S. Department of HUD

<u>Line item</u>	<u>Account Description</u>	<u>Williams Section 8 14.871 Housing Choice Voucher</u>
706-01	Housing Assistance Payment Revenue	\$ 419,638
706-020	Administrative Fee Revenues	69,568
711	Investment Income - PHA	44
714	Fraud Recovery - PHA	1,055
700	TOTAL REVENUE	<u>490,305</u>
913	Management Fees	72,379
916	Office Expenses	134
	Total Operating - Admin.	<u>72,513</u>
	TOTAL OPERATING EXPENSES	<u>72,513</u>
970	Excess Oper. Rev. over Exp.	417,792
973	HAP	<u>397,757</u>
900	TOTAL EXPENSES	<u>470,270</u>
1000	NET INCOME (LOSS)	<u>\$ 20,035</u>

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2017

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Current Assets				
111	Cash - Unrestricted	\$ 99,413	\$ 1,044	\$ 19,193	\$ 119,650
113	Cash - Restricted	19,444			19,444
100	Total Cash	118,857	1,044	19,193	139,094
	Accounts Receivable				
122	HUD Other Project	-		732	732
125	Miscellaneous	34			34
128	Fraud Recovery	1,392			1,392
128.1	Allow Doubtful Accounts	(1,392)			(1,392)
120	Total Receivables, Net of Allowance for Doubtful Accounts	34	-	732	766
142	Prepaid Expenses	5,736			5,736
150	Total Current Assets	124,627	1,044	19,925	145,596
	Noncurrent Assets				
	Capital Assets				
162	Buildings	84,511			84,511
164	F/E/M Admin.	18,792			18,792
165	Leasehold Improvements	59,880			59,880
166	Accum Depreciation	(147,806)			(147,806)
160	Net Fixed Assets	15,377	-	-	15,377
180	Total Noncurrent assets	15,377	-	-	15,377
200	Deferred Outflow of Resources	92,253			92,253
290	TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 232,257	\$ 1,044	\$ 19,925	\$ 253,226

Consortium of Northwest Ohio
Henry County
Entity Wide Balance Sheet Summary
FDS Schedule Submitted to HUD
June 30, 2017

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Current Liabilities				
312	A/P <= 90 days	\$ 4,146	\$ -	\$ -	\$ 4,146
321	Accrued Wage/Taxes Payable	2,378			2,378
322	Accrued Comp Abs. - Current	3,415			3,415
331	Accounts Payable – HUD				-
342	Unearned Revenue	3,171			3,171
310	Total Current Liabilities	13,110	-	-	13,110
	Non-Current Liabilities				
354	Accrued Comp Abs. - Noncurrent	27,237			27,237
357	Accrued Pension	144,371	84,756		229,127
	Total Non-Current Liabilities	184,718	84,756	-	269,474
	Total Liabilities	184,718	84,756	-	269,474
400	Deferred Inflow of Resources	1,364			1,364
	Net Position				
508.1	Invested in Capital Assets Net	15,377			15,377
511.1	Restricted Net Position	19,444			19,444
512.1	Unrestricted Net Position	11,354	(83,712)	19,925	(52,433)
513	Total Net Position	46,175	(83,712)	19,925	(17,612)
600	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 232,257	\$ 1,044	\$ 19,925	\$ 253,226

Consortium of Northwest Ohio
Henry County
Entity Wide Revenue and Expense Summary
FDS Schedule Submitted to HUD
June 30, 2017

Line item	Account Description	Henry Section 8 14.871 Housing Choice Voucher	Henry Business Activities	Henry 14.182 N/C S/R Section 8	Total
	Revenue				
706-010	Housing Assistance Payment Revenue	\$ 807,674	\$ -	\$ 25,685	\$ 833,359
706-020	Administrative Fees Revenues	133,629		5,952	139,581
711	Investment Income - PHA	70		17	87
714	Fraud Recovery - PHA	2,018			2,018
715	Other Revenue		142,335		142,335
700	Total Revenue	943,391	142,335	31,654	1,117,380
	Expenses				
911	Administrative Salaries	46,457	83,694	1,976	132,127
912	Audit	1,884	4,207	220	6,311
914	Advertisement & Marketing	68	52	3	123
915	Employee Benefits	36,633	34,151	816	71,600
916	Office Expenses	22,566	6,287	959	29,812
918	Travel	373	478	16	867
919	Other	8,759	9,120	373	18,252
910	Total Operating - Administrative	116,740	137,989	4,363	259,092
942	Ordinary Maintenance and Operations Materials and Other	11,128	-	473	11,601
940	Total Maintenance and Operations	11,128	-	473	11,601
961.2	Insurance - Liab Insurance	3,284	5,461	140	8,885
961.3	Workmen's Compensation	-	480		480
961	Total Insurance	3,284	5,941	140	9,365
962.1	Comp Abs	3,415			3,415
967	Interest Expense	-			-
	Total Operating Expenses	134,567	143,930	4,976	283,473
970	Excess Operating Revenue over Expenses	808,824	(1,595)	26,678	833,907
	Other Expenses				
973	Housing Assistance Payments	789,661		25,685	815,346
974	Depreciation Expense	5,057			5,057
	Total Other Expenses	794,718	-	25,685	820,403
900	Total Expenses	929,285	143,930	30,661	1,103,876
1000	Excess of Revenues over Expenses	14,106	(1,595)	993	13,504
1103	Beginning Net Position	32,069	(82,117)	18,932	(31,116)
1117	Administrative Fee Equity	26,731			26,731
1118	Housing Assistance Payment Equity	19,444	(82,117)	-	(62,673)
	Total Ending Net Position	\$ 46,175	\$ (83,712)	\$ 19,925	\$ (17,612)

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Consortium of Northwest Ohio
 Henry County
 Schedule of Federal Awards Expenditures
 For the Fiscal Year Ended June 30, 2017

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Pass-Through Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers (Direct)	N/A	14.871	\$ 1,887,489
Section 8 New Construction and Substantial Rehabilitation (Direct)	N/A	14.182	<u>25,685</u>
Total U.S. Department of Housing and Urban Development			<u>1,913,174</u>
Total Federal Awards Expenditures			<u>\$ 1,913,174</u>

Notes to the Schedule of Federal Awards Expenditures

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

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

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Email: klpenncpa@aol.com

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

Board of Trustees
Consortium of Northwest Ohio
Henry County

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Consortium of Northwest Ohio, Henry County, (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated November 18, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

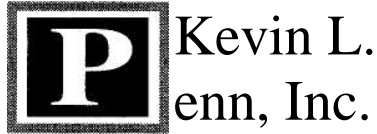
As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, I tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial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

Purpose of this Report

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

Kevin L. Penn, Inc.

November 18, 2017



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

Board of Trustees
Consortium of Northwest Ohio
Henry County

Report on Compliance for each Major Federal Program

I have audited Consortium of Northwest Ohio, Henry County's, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Consortium of Northwest Ohio's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to opine on the Authority's compliance for each of the Authority's major federal program based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on each of the Authority's major program. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on each Major Federal Program

In my opinion, Consortium of Northwest Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing my compliance audit, I considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of my internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

November 18, 2017

Consortium of Northwest Ohio
 Schedule of Findings
 June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Consortium of Northwest Ohio
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no audit findings, during the 2016 fiscal year.



Dave Yost • Auditor of State

CONSORTIUM OF NORTHWEST OHIO

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2018**