LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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

Dave Yost • Auditor of State

Board of Directors
Licking Metropolitan Housing Authority
144 West Main Street
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Licking Metropolitan Housing Authority, Licking County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2017 through December 31, 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 Licking Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

June 20, 2018

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LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Licking Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Licking Metropolitan Housing Authority as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

June 12, 2018

Licking Metropolitan Housing Authority's (LMHA) *Management Discussion and Analysis* is designed to:

a) Assist the reader in focusing on significant financial issues.
b) Provide an overview of the Authority's financial activity.
c) Identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges).
d) Identify the single enterprise fund issues or concerns.

LMHA follows GASB No. 34. Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it conjunction with the Authority's financial statements which follow.

Financial Highlights

• Total Revenue:	FYE12/31/17:	$6,643,798 **decrease** of $230,814 in 2017
• Total Expenses:	FYE12/31/17:	$7,037,130 **increase** of $272,168 in 2017

USING THIS ANNUAL REPORT

MD&A
Management Discussion and Analysis

BASIC FINANCIAL STATEMENTS
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Cash Flows

NOTES TO FINANCIAL STATEMENTS

This report focuses on LMHA as a single-enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year-to-year) and enhances LMHA's accountability.

BASIC FINANCIAL STATEMENTS

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

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 LMHA. The statement is presented in the format where assets and deferred outflows of resources minus liabilities and deferred outflow of resources, equals "Net Position", similar to equity. 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 Statements of Net Position (**the "Unrestricted Net Position"**) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire LMHA. Net Position (formerly equity) are reported in three broad categories (as applicable).

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted Net Position: 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 Net Position: Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position". This account resembles the old operating reserves account.

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 rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and 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.

Licking Metropolitan Housing Authority programs that are consolidated into a single-enterprise fund are as follows:

Conventional Public Housing (PH) **-** Under the Conventional Public Housing Program, LMHA rents up to 99 units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Capital Fund Program (CFP) - This is the current primary funding source for LMHA's physical and management improvements for PH. Funds are allocated by a formula based on size and age of the authority's units.

Housing Choice Voucher Program (HCVP) - Under the Housing Choice Voucher Program, LMHA subsidizes rents to independent landlords who own the properties. LMHA 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 funding to enable LMHA to subsidize a portion of a tenant's rent. The tenant typically pays 30 percent of their adjusted gross income toward their rent.

Other Business Activity - LMHA owns an office building/land which it purchased in 2005 for Section 8 and administrative staff. A lease agreement with the local health clinic for the rental of a portion of the administrative building continued through 2017. This agreement allows the local health clinic to provide a centralized location for their facility and provided LMHA Business Activities with $6,600 income in the period.

Continuum of Care - The Continuum of Care Programs, funded by the McKinney-Vinto Homeless Assistance Act, provide rental assistance, in connection with supportive services to homeless persons with disabilities, (primarily persons who are seriously mentally ill and/or chronic substance abuse) and their families. The programs provide assistance through tenant-based rental assistance. These programs replace the programs previously administered using Shelter Plus Care program funds.

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Table 1 - Condensed Statement of Net Position Compared to Prior Year

	2017	2016	Change	Percent Change
Assets and Deferred Outflows				
Current Assets	$ 362,776	$ 1,077,243	$ (714,467)	-66.32%
Capital Assets	1,708,879	1,746,305	(37,426)	-2.14%
Total Assets	2,071,655	2,823,548	(751,893)	-26.63%
Deferred Outflow of Resources	338,190	$ 255,638	82,552	32.29%
Total Assets and Deferred Outflows of Resources	$ 2,409,845	$ 3,079,186	(669,341)	-21.74%
Liabilities				
Current Liabilities	$ 63,439	$ 57,552	$ 5,887	10.23%
Non-current Liabilities	910,402	698,580	211,822	30.32%
Total Liabilities	973,841	756,132	217,709	28.79%
Deferred Inflow of Resources	12,420	506,138	(493,718)	-97.55%
Net Position				
Investment in Capital Assets	1,708,879	1,746,305	(37,426)	-2.14%
Restricted Net Position	3,994	130,732	(126,738)	-96.94%
Unrestricted Net Position	(289,289)	(60,121)	(229,168)	381.18%
Total Net Position	1,423,584	1,816,916	(393,332)	-21.65%
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 2,409,845	$ 3,079,186	(669,341)	21.74%

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

At year end, a few things occurred affecting the Statement of Net Position, including:

- Cash was reduced in December 2017 to $338,042 from $1,054,892 in December 2016. In December 30, 2016, HUD deposited the January 2017 HAP and Administrative Fee into LMHA's cash account in the amount of $479,528. This increased the cash/current assets on the balance sheet considerably that year. Inversely, the cash received early is also reflected as an offsetting entry under deferred inflow of resources as funds were applicable to a future period (the new year in 2017). This early deposit did not occur in December 2017, which reduced the cash position considerably.

- Restricted net position includes $3,994 in HCV HAP equity, down from $130,732 in 2016. These were funds provided by HUD to be used by LMHA to make rental assistance payments under the HCV Program that had not yet been spent at year end. This figure includes 50 percent of the fraud revenue received in 2017.

The 2017 numbers presented above reflect balances reported in accordance with GASB Statement No. 68. A net pension liability of $877,222 is being reported in 2017, up from $665,831 in 2016.

Essentially, the accounting standard requires LMHA to report on its financial statements the amount determined to be its share of the unfunded pension liability of the Ohio Public Employees Retirement System (OPERS). The very large Net Pension Liability reported by LMHA in the amount $877,422 does not represent a true liability to the Agency in that if the Agency ceased its operation today, there would be no invoice in that amount to be paid. The concept behind the standard is ultimately for OPERS to resolve any unfunded pension it may have, it will need to impose an additional funding burden on the entities contributing to it. Ohio State Law mandates employees of LMHA to participate in OPERS. Likewise, LMHA is mandated to make retirement contributions to OPERS on behalf of all its employees.

It should be noted, in Ohio, because members and employers pre-fund pension benefits for active employees through their regular contributions required by Ohio statute, current retiree liabilities are 100 percent funded, which makes default by OPERS very remote. The majority of systems in the recent news facing default did not deposit the required contributions over time needed to fund their member's pension benefits. To monitor the health of OPERS funding status, OPERS retains an external actuary to evaluate positions, annually. OPERS informs its contributors that should OPERS funding levels begin to trend downward, OPERS will work with the General Assembly to pass legislation increasing statutory contributions or decreasing benefits for its members. As evidence, this action was taken in 2012, when the General Assembly and OPERS adjusted the cost of benefits to maintain the funding necessary to meet long-term pension obligations.

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Table 2 - Condensed Statement of Revenue, Expenses, and Changes in Net Position

	2017	2016	Change	Percent Change
Revenues				
Total Tenant Revenues	$ 299,464	$ 304,487	$ (5,023)	-1.65%
Operating Subsidies	6,174,232	6,346,432	(172,200)	-2.71%
Capital Grants	36,328	126,712	(90,384)	-71.33%
Investment Income	394	427	(33)	-7.73%
Other Revenues	133,380	96,554	36,826	38.14%
Total Revenues	6,643,798	6,874,612	(230,814)	-3.36%
Expenses				
Administrative	888,775	807,620	81,155	10.05%
Tenant and Protective Services	1,272	6,577	(5,305)	-80.66%
Utilities	119,126	123,418	(4,292)	-3.48%
Maintenance	201,307	170,113	31,194	18.34%
Insurance and General Expenses	61,290	62,669	(1,379)	-2.20%
Housing Assistance Payaments	5,612,990	5,451,673	161,317	2.96%
Depreciation	152,370	142,892	9,478	6.63%
Total Expenses	7,037,130	6,764,962	272,168	4.02%
Net Incxreases (Decreases)	(393,332)	109,650	(502,982)	-458.72%
Beginning Net Position	1,816,916	1,707,266		
Ending Net Position	$ 1,423,584	$ 1,816,916		

Major Factors Affecting the Statements of Revenue, Expenses, and Changes in Net Position

In 2017, a $172,200 decrease in entity-wide operating subsidy can be broken down by programs as follows:

- Low-Rent Public Housing received $34,668 less in operating grants, including $4,751 less in operating subsidy, and $29,917 less in operating funds from capital fund grants;
- HCV Program received $144,805 less in HAP;
- HCV Program received $47,695 more in Admin Fee;
- Continuum of Care Programs received $54,968 more in HAP.

Capital Grants income decreased by $90,384, as two projects/upgrades are so large, they will require 2016, 2017, and 2018 capital funds to begin the project contracts in 2018.

Other income increased by $36,826 as LMHA received funds from another housing authority for approximately twenty-one monthly port-ins, under HUD's Veterans Affairs Supportive Housing (VASH) Program. This figure was up from $77,371 in 2016 to $106,359 in 2017. LMHA also received a statewide reimbursement for $5,483 from the Bureau of Worker's Compensation.

Administrative expense was up $81,155 in 2017 of which the following two items may be noted:

Changes to GASB 68 balances increased benefits expense for 2017 by $115,025 entity-wide.

Housing Assistance Payments increased by $161,317. Below are the figures by program:

HCV HAP increased $78,067
HCV Port-Ins increased $28,988
Continuum of Care HAP increased $54,262.

In reviewing the per-unit cost in the HCV Program in 2017 vs. 2016, the average per unit cost increased in 2017 by $8.50 per unit, from $412.52 to $421.02.

A comparison of 2017 and 2016 utilities for the LMHA Programs is as follows:

HCV Utility	2017	2016
Water	$ 686	$ 734
Electric	5,508	6,232
Gas	1,608	2,496
Total	$ 7,802	$ 9,462

HCV: A decrease of $1,660 was seen in utility expenses in 2017 from 2016.

A comparison of 2017 to 2016 utility expense for the Public Housing Program is as follows:

Low Rent Public Housing Utility	2017	2016
Water	$ 25,629	$ 25,654
Electric	67,955	70,303
Gas	17,740	17,999
Total	$ 111,324	$ 113,956

Low-Rent PH: A decrease of $2,632 was seen in utility expenses in 2017 from 2016.

DEBT

LMHA ended the year with no debt.

CAPITAL ASSETS

As of 2017 year end, the Authority had $1,708,879 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of $37,426 from the end of 2016 year-end balances. See tables 3 and 4.

Table 3 - Condensed Statement of Changes in Capital Assets

	2017	2016	Change	Percent Change
Land	$ 276,250	$ 276,250	$ -	0.00%
Buildings	6,002,677	6,076,030	(73,353)	-1.21%
Equipment	237,449	241,425	(3,976)	-1.65%
Accumulated Depreciation	(4,807,497)	(4,847,400)	39,903	-0.82%
Total Capital Assets, Net	$ 1,708,879	$ 1,746,305	$ (37,426)	-2.14%

Table 4 - Changes in Capital Assets

Beginning Balance - December 31, 2016	$ 1,746,305
Current Year Additions	119,221
Current Year Deductions	(4,277)
Current Year Depreciation Expense	(152,370)
Ending Balance - December 31, 2017	$ 1,708,879

Additions in capital assets in the amount of $53,427 for the HCV Program included the following purchases:

- $2,054 Replaced heat exchanger in roof-top A/C unit
- $1,799 Office building upgrade
- $26,433 2017 Ford Escape for HQS inspection vehicle.
- $9,848 Various office equipment and furniture
- $13,293 Housing-Pro Software upgrade

Additions in capital assets in the amount of $65,794 for the Public Housing Hi-Rise included the following purchases:

- $9,600 Continuation of elevator upgrade project
- $20,888 Architect & Engineer for elevator upgrade project
- $2,496 Stairwell double-steel doors, material & hardware
- $25,221 4" main-gate valve to building with three new backflows
- $1,337 Sprinkler head addition
- $1,232 Circulation pump for domestic hot water
- $1,887 Circulation pump for boiler
- $3,133 Housing-Pro Software upgrade

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding from the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs

MANAGEMENT NOTES AND CONCLUSIONS:

LMHA ended the year with only $3,994 in HCV HAP equity, HCV unit months leased totaled 12146 of its allowable 12360, which represents a 98.3 percent lease-up rate for 2017.

Public Housing Management and their maintenance staff, again focused on successful unit turn over. 1,168 of the 1,188 unit months available for the Public Housing Program were leased in 2017 resulting in a 98.3 percent occupancy rate.

In reviewing the per unit costs for one, two, three and four bedrooms on the HCV Program, in 2017, LMHA saw an increase of $8.50 per unit. We believe this stems from there being fewer rentals available in the market in 2017. The entire downtown Newark area has been under a major restoration effort, and the results of the improvements could be seen in 2017. Many more investors are buying and rehabilitating property and increasing the prices of the rehabilitated units. Several of the local, long-term owners who have owned a large stock of rental units for decades have sold their units and complexes. In the past, these older owners had maintained rents for relatively long periods of time, with minimal increases. The new investors have purchased their units and are raising the rents on the units. Unemployment also continues to be very low. The market in general, both for sale and rent, has experienced a reduction in product over the last year.

LMHA continued hosting the LMHA educational workshop for landlords and other related entities in LMHA's jurisdiction. This "Housing Forum" provides information about the processes and requirements within the LMHA Section-8 Program. It assists in increasing LMHA's housing stock and opens the line of communication for all related parties. Representatives attending included various local vendors, local division of water and waste management, various local courts, legal aid, insurance providers, Fair Housing, County Coalition for Housing, Veterans Administration's VASH Representative, City of Newark – Property Maintenance, Mental Health and Recovery of Licking County, Newark Think Tank on Poverty, local police representatives, and Licking County Board of Development Disabilities.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jody Hull-Arthur, Executive Director of the LMHA 740-349-8069 Ext. 224, or Cynthia Hite, Financial Operations Manager, Ext. 229.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS		
Current Assets		
Cash and Cash Equivalents:	$	321,818
Restricted Cash and Cash Equivalents		16,224
Receivables, Net		1,016
Prepaid Expenses and Other Assets		23,718
Total Current Assets		362,776
Non-Current Assets		
Non-Depreciable Capital Assets		276,250
Depreciable Capital Assets, Net		1,432,629
Total Non-Current Assets		1,708,879
DEFERRED OUTFLOWS OF RESOURCES		338,190
TOTAL ASSETS AND DEFRRED OUTFLOWS OF RESOURCES	$	2,409,845
LIABILITIES		
Current Liabilities		
Accounts Payable	$	13,802
Accrued Wages - Payroll Taxes		9,432
Tenant Security Deposits		12,230
Intergovernmental Payable		18,722
Other Current Liability		9,253
Total Current Liabilities		63,439
Non-Current Liabilities		
Accrued Compensated Absences		33,180
Net Pension Liability		877,222
Total Non-Current Liabilities		910,402
TOTAL LIABILITIES		973,841
DEFERRED INFLOWS OF RESOURCES		
Pension		12,420
TOTAL DEFERRED INFLOWS OF RESOURCES		12,420
NET POSITION		
Investment in Capital Assets		1,708,879
Unrestricted		(289,289)
Restricted		3,994
TOTAL NET POSITION		1,423,584
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	2,409,845

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Operating Revenue	
Government Grants	$ 6,174,232
Tenant Revenue	299,464
Other Revenue	137,657
Total Operating Revenue	6,611,353
Operating Expenses	
Administrative	888,775
Tenant Services	1,272
Utilities	119,126
Maintenance	201,307
General	61,290
Housing Assistance Payments	5,612,990
Total Operating Expenses	6,884,760
Income Before Depreciation	(273,407)
Depreciation	152,370
Operating Income (Loss)	(425,777)
Non-Operating Revenues (Expenses)	
Loss on Disposition	(4,277)
Interest and Investment Revenue	394
Total Non-Operating Revenues (Expenses)	(3,883)
Income (Loss) Before Capital Grants	(429,660)
Capital Grants	36,328
Change In Net Position	(393,332)
Total Net Position - Beginning of Year	1,816,916
Total Net Position - End of Year	$ 1,423,584

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Cash Received from Government Grants	$ 5,694,318
Cash Received from Tenants	299,794
Cash Payments for Housing Assistance	(5,612,990)
Cash Payments for Administrative Expenses	(791,225)
Cash Payments for Other Operating Expenses	(363,663)
Cash Received - Other Revenue	139,415
Net Cash Provided (Used) by Operating Activities	(634,351)
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(119,221)
Capital Grants Received	36,328
Net Cash Provided (Used) by Capital and Related Financing Activities	(82,893)
Cash Flows from Investing Activities	
Interest and Investment Income Received	394
Net Cash Provided (Used) by Investing Activities	394
Net Increase in Cash and Cash Equivalents	(716,850)
Cash and Cash Equivalents - Beginning of Year	1,054,892
Cash and Cash Equivalents - End of Year	$ 338,042
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (425,777)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	152,370
(Increase) Decrease in:	
Accounts Receivable	1,758
Deferred Outflows of Resources	(82,552)
Prepaid Expenses	(4,141)
Increase (Decrease) in:	
Accounts Payable	(1,261)
Accrued Pension Liability and Deferred Inflows	(231,094)
Accrued Compensated Absences	431
Tenants' Security Deposits	330
Accrued Wages and Payroll Taxes	(652)
Intergovernmental Payable	(10)
Unearned Revenue	(51,233)
Other Liabilities	7,480
Net Cash Provided (Used) by Operating Activities	$ (634,351)

See accomnpanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Licking Metropolitan Housing Authority (LMHA) is a political subdivision of the State of Ohio, located in Newark, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing programs. An Annual Contributions Contract was signed by the LMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring construction, maintenance, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 - as amended by GASB Statement No. 61, is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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

Basis of Presentation (Continued)
The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting
The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Description of Programs

The Authority's programs that are consolidated into a single enterprise fund are as follows:

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

Capital Fund Program (CFP) - The CFP provides funds annually, via a formula, to PH Agencies for capital and management activities, including modernization and development housing.

Housing Choice Voucher Program (HCVP) - The HCVP was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

Continuum of Care - The Continuum of Care Program provides rental assistance, in connection with supportive services funded from sources other than this program to homeless persons with disabilities (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both, or have acquired immunodeficiency syndrome and related diseases) and their families. The program provides assistance through Tenant-based Rental Assistance (TRA).

Business Activities (BA) - Business Activities represents other services that the PHA provides to Licking Metropolitan Housing Authority for a fee and services that the PHA provides to the County. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash and cash equivalents.

Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to non-negotiable certificates of deposit and money market investments.

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

Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Authority's housing units.

Property and Equipment

Property and equipment are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The Authority's capitalization threshold is $1,000. Depreciation is recorded on the straight-line method under the following lives:

Buildings	27.5 years
Building Improvements	15 years
Equipment	7 years
Autos	5 years

Net Position

The net investment in capital assets component of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted Net Position includes what is known as Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Budgetary Accounting

LMHA annually prepares funding requests as prescribed by HUD. Operating budgets are adopted for all Authority's programs by the Authority's Board.

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the Statement of Net Position for pension. Deferred inflows of resources related to pension are explained in Note 6.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2017, the carrying amount of the Authority's deposits was $338,042 (including $16,224 of restricted funds, and $200 of petty cash).

At December 31, 2017, the bank balance of the Authority's cash deposits was $361,461. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2017, deposits totaling $361,461 were covered by Federal Depository Insurance.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, and records all its investments at fair value. At December 31, 2017, the Authority had no investments.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

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

Restricted Cash

The restricted cash balance of $16,224 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by	
HUD for Housing Assistance Payments	$ 3,994
Tenant Security Deposits Liability	12,230
Total Restricted Cash	$ 16,224

NOTE 3: **CAPITAL ASSETS**

Following is a summary of capital assets:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital Assets Not Being Depreciated				
Land	$ 276,250	$ -	$ -	$ 276,250
Total Capital Assets Not Being Depreciated	276,250	-	-	276,250
Capital Assets Being Depreciated				
Buildings and Improvments	6,076,030	66,514	(139,867)	6,002,677
Furniture, Equipment, and Machinery	241,425	52,707	(56,683)	237,449
Subtotal Capital Assets Being Depreciated	6,317,455	119,221	(196,550)	6,240,126
Accumulated Depreciation -				
Buildings and Improvements	(4,634,434)	(130,986)	135,590	(4,629,830)
Furniture and Equipment	(212,966)	(21,384)	56,683	(177,667)
Total Accumulated Depreciation	(4,847,400)	(152,370)	192,273	(4,807,497)
Depreciable Assets, Net	1,470,055	(33,149)	(4,277)	1,432,629
Total Capital Assets, Net	$ 1,746,305	$ (33,149)	$ (4,277)	$ 1,708,879

NOTE 4: **CAPITAL LEASE OBLIGATIONS**

The Authority had no capital lease obligations throughout 2017.

NOTE 5: **ALLOCATION OF COSTS**

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

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

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS) (Continued)

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

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

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

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $65,612 for fiscal year ending December 31, 2017.

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

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

The net pension for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.003844%
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.003863%
Change in Proportionate Share	0.000019%
Proportionate Share of the Net Pension Liability/(Asset)	$ 877,222
Pension Expense	$ 186,236

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$130,637
Changes of assumptions	139,138
Differences between expected and actual experience	1,189
Changes in proportion and differences between Agency contributions and proportionate share of contributions	1,614
Ageny contributions subsequent to the measurement date	65,612
Total Deferred Outflows of Resources	$338,190
Deferred Inflows of Resources	
Differences between expected and actual experience	$5,220
Changes in proportion and differences between Agency contributions and proportionate share of contributions	7,200
Total Deferred Inflows of Resources	$12,420

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

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

$65,612 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan
Year Ending December 31:	
2018	$104,221
2019	113,263
2020	46,505
2021	(3,831)
2022	2
Thereafter	0
Total	$260,160

Actuarial Assumptions - OPERS

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

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

Actuarial Assumptions – OPERS (Continued)

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health 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 most recent experience study was completed for the five year period ended December 31, 2015.

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

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

Actuarial Assumptions – OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.75%
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	18.00%	4.92%
Total	100.00%	5.66%

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

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

Actuarial Assumptions – OPERS (Continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 1,340,152	$ 877,222	$ 491,451

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - 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 trust, which funds multiple health care plans including medical coverage, prescription drug-coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

A. **Plan Description** (Continued)

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide healthcare to its eligible benefit recipients. Authority to establish and amend healthcare coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/report.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employees contributed at a rate of 14.00 percent of the earnable salary.. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2018 decreased to 0.0 percent for both plans.

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

B. **Funding Policy** (Continued)

The OPERS Board 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. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0 percent. The portion of actual Authority contributions for the fiscal years ending 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were $5,047, $8,966 and $9,566, respectively.

NOTE 8: **NON-CURRENT LIABILITIES**

A summary of changes in non-current liabilities is as follows:

	Balance 1/1/2017	Additions	Used	Balance 12/31/2017	Current Portion
Compensated Absence	$ 32,749	$ 29,489	$ (29,058)	$ 33,180	$ -
Net Pension Liability	665,831	211,391	0	877,222	-
Total Non-Current Liabilities	$ 698,580	$ 240,880	$ (29,058)	$ 910,402	$ -

See Note 6 for more information regarding Net Pension Liability.

None of the compensated absence balance is considered to be current because no pay-outs at separation are anticipated in the coming period, and it is expected that leave earned in the period is what will be used in the period.

Vacation and sick leave are established by the Board of Commissioners based on local and state laws.

All permanent employees earn 5 hours of sick leave per 86.66 hours of service. Unused sick leave may be accumulated without limit. Accrued sick time is not payable to the employee upon their separation from employment.

All permanent employees will earn vacation hours accumulated based on length of service. Unused vacation time may be accumulated up to 240 hours. All vacation time accumulated will be paid to an employee upon separation of employment. At December 31, 2017 $33,180 was accrued for unused vacation.

NOTE 9: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property and building contents. Workers' Compensation coverage is maintained through the State. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 10: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2017.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigations and claims. At December 31, 2017 the PHA was not aware of any such matters.

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

Traditional Plan	**2017**	**2016**	**2015**	**2014**
Authority's Proportion of the Net Pension Liability	0.003863%	0.003844%	0.004012%	0.004012%
Authority's Proportionate Share of the Net Pension Liability	$665,831	$665,831	$483,893	$472,963
Authority's Covered-Employee Payroll	$499,375	$478,408	$491,833	$468,446
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	133.33%	139.18%	98.39%	100.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS (1)

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	$65,612	$59,925	$57,409	$59,020	$60,898	$44,828	$45,006	$38,319
Contributions in Relation to the Contractually Required Contribution	($65,612)	($59,925)	($57,409)	($59,020)	($60,898)	($44,828)	($45,006)	($38,319)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$504,708	$499,375	$478,408	$491,833	$468,446	$448,280	$450,060	$425,767
Pension Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%

(1) – Information prior to 2010 is not available.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKINGCOUNTY, OHIO
STATEMENT OF MODERNIZATION COST - COMPLETED
DECEMBER 31, 2017

Annual Contributions Contact C-5031

1. The total amount of modernization costs of the Capital Fund Housing Program grants are shown below:

OH16P043501-15		
Fund Approved	$	76,836
Funds Expended		76,836
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	76,836
Funds Expended		76,836
Excess (Deficiency) of Funds Advanced	$	0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	163,680	1,197	99,311	57,630	321,818	-	321,818
113 Cash - Other Restricted	-	-	3,994	-	3,994	-	3,994
114 Cash - Tenant Security Deposits	12,230	-	-	-	12,230	-	12,230
100 Total Cash	175,910	1,197	103,305	57,630	338,042	-	338,042
125 Accounts Receivable - Miscellaneous	-	-	600	-	600	-	600
126 Accounts Receivable - Tenants	416	-	-	-	416	-	416
128 Fraud Recovery	-	-	5,328	-	5,328	-	5,328
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-5,328	-	-5,328	-	-5,328
120 Total Receivables, Net of Allowances for Doubtful Accounts	416	-	600	-	1,016	-	1,016
142 Prepaid Expenses and Other Assets	13,172	-	10,546	-	23,718	-	23,718
150 Total Current Assets	189,498	1,197	114,451	57,630	362,776	-	362,776
161 Land	201,250	-	-	75,000	276,250	-	276,250
162 Buildings	5,369,130	-	44,269	589,278	6,002,677	-	6,002,677
163 Furniture, Equipment & Machinery - Dwellings	11,498	-	-	-	11,498	-	11,498
164 Furniture, Equipment & Machinery - Administration	13,718	-	190,775	21,458	225,951	-	225,951
166 Accumulated Depreciation	-4,391,320	-	-155,782	-260,395	-4,807,497	-	-4,807,497
160 Total Capital Assets, Net of Accumulated Depreciation	1,204,276	-	79,262	425,341	1,708,879	-	1,708,879
180 Total Non-Current Assets	1,204,276	-	79,262	425,341	1,708,879	-	1,708,879
200 Deferred Outflow of Resources	111,603	-	226,587	-	338,190	-	338,190
290 Total Assets and Deferred Outflow of Resources	1,505,377	1,197	420,300	482,971	2,409,845	-	2,409,845
312 Accounts Payable <= 90 Days	8,637	-	5,165	-	13,802	-	13,802
321 Accrued Wage/Payroll Taxes Payable	-	-	9,432	-	9,432	-	9,432
333 Accounts Payable - Other Government	18,722	-	-	-	18,722	-	18,722
341 Tenant Security Deposits	12,230	-	-	-	12,230	-	12,230
345 Other Current Liabilities	-	1,197	8,056	-	9,253	-	9,253
310 Total Current Liabilities	39,589	1,197	22,653	-	63,439	-	63,439
354 Accrued Compensated Absences - Non Current	13,574	-	19,606	-	33,180	-	33,180

LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
357 Accrued Pension and OPEB Liabilities	289,484	-	587,738	-	877,222	-	877,222
350 Total Non-Current Liabilities	303,058	-	607,344	-	910,402	-	910,402
300 Total Liabilities	342,647	1,197	629,997	-	973,841	-	973,841
400 Deferred Inflow of Resources	4,099	-	8,321	-	12,420	-	12,420
508.4 Net Investment in Capital Assets	1,204,276	-	79,262	425,341	1,708,879	-	1,708,879
511.4 Restricted Net Position	-	-	3,994	-	3,994	-	3,994
512.4 Unrestricted Net Position	-45,645	-	-301,274	57,630	-289,289	-	-289,289
513 Total Equity - Net Assets / Position	1,158,631	-	-218,018	482,971	1,423,584	-	1,423,584
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	1,505,377	1,197	420,300	482,971	2,409,845	-	2,409,845

LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	299,059	-	-	-	299,059	-	299,059
70400 Tenant Revenue - Other	405	-	-	-	405	-	405
70500 Total Tenant Revenue	299,464	-	-	-	299,464	-	299,464
70600 HUD PHA Operating Grants	186,499	417,016	5,570,717	-	6,174,232	-	6,174,232
70610 Capital Grants	36,328	-	-	-	36,328	-	36,328
70700 Total Fee Revenue	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	301	-	93	-	394	-	394
71400 Fraud Recovery	-	-	1,436	-	1,436	-	1,436
71500 Other Revenue	6,560	-	122,891	6,770	136,221	-	136,221
71600 Gain or Loss on Sale of Capital Assets	-4,277	-	-	-	-4,277	-	-4,277
70000 Total Revenue	524,875	417,016	5,695,137	6,770	6,643,798	-	6,643,798
91100 Administrative Salaries	100,340	24,105	310,420	-	434,865	-	434,865
91200 Auditing Fees	1,504	-	10,381	-	11,885	-	11,885
91400 Advertising and Marketing	4,138	-	2,329	-	6,467	-	6,467
91500 Employee Benefit contributions - Administrative	58,712	-	217,422	-	276,134	-	276,134
91600 Office Expenses	20,183	-	120,262	-	140,445	-	140,445
91700 Legal Expense	3,736	-	5,420	-	9,156	-	9,156
91800 Travel	1,834	-	7,989	-	9,823	-	9,823
91000 Total Operating - Administrative	190,447	24,105	674,223	-	888,775	-	888,775
92400 Tenant Services - Other	1,272	-	-	-	1,272	-	1,272
92500 Total Tenant Services	1,272	-	-	-	1,272	-	1,272
93100 Water	25,629	-	686	-	26,315	-	26,315
93200 Electricity	67,955	-	5,508	-	73,463	-	73,463
93300 Gas	17,740	-	1,608	-	19,348	-	19,348
93000 Total Utilities	111,324	-	7,802	-	119,126	-	119,126
94100 Ordinary Maintenance and Operations - Labor	75,389	-	-	-	75,389	-	75,389
94200 Ordinary Maintenance and Operations - Materials and Other	25,179	-	4,836	-	30,015	-	30,015
94300 Ordinary Maintenance and Operations Contracts	37,221	-	13,396	-	50,617	-	50,617
94500 Employee Benefit Contributions - Ordinary Maintenance	44,113	-	-	-	44,113	-	44,113

LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
94000 Total Maintenance	181,902	-	18,232	-	200,134	-	200,134
96110 Property Insurance	11,026	-	4,195	-	15,221	-	15,221
96130 Workmen's Compensation	4,352	-	9,383	-	13,735	-	13,735
96100 Total insurance Premiums	15,378	-	13,578	-	28,956	-	28,956
96200 Other General Expenses	614	-	2,295	-	2,909	-	2,909
96210 Compensated Absences	-	-	3,314	5,546	8,860	-	8,860
96300 Payments in Lieu of Taxes	18,722	-	-	-	18,722	-	18,722
96400 Bad debt - Tenant Rents	1,843	-	-	-	1,843	-	1,843
96000 Total Other General Expenses	21,179	-	5,609	5,546	32,334	-	32,334
96900 Total Operating Expenses	521,502	24,105	719,444	5,546	1,270,597	-	1,270,597
97000 Excess of Operating Revenue over Operating Expenses	3,373	392,911	4,975,693	1,224	5,373,201	-	5,373,201
97100 Extraordinary Maintenance	1,173	-	-	-	1,173	-	1,173
97300 Housing Assistance Payments	-	392,911	5,113,720	-	5,506,631	-	5,506,631
97350 HAP Portability-In	-	-	106,359	-	106,359	-	106,359
97400 Depreciation Expense	107,620	-	21,838	22,912	152,370	-	152,370
90000 Total Expenses	630,295	417,016	5,961,361	28,458	7,037,130	-	7,037,130
10010 Operating Transfer In	5,263	-	-	-	5,263	-5,263	-
10020 Operating transfer Out	-5,263	-	-	-	-5,263	5,263	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-105,420	-	-266,224	-21,688	-393,332	-	-393,332
11030 Beginning Equity	1,264,051	-	48,206	504,659	1,816,916	-	1,816,916
11170 Administrative Fee Equity	-	-	-222,012	-	-222,012	-	-222,012
11180 Housing Assistance Payments Equity	-	-	3,994	-	3,994	-	3,994
11190 Unit Months Available	1,188	704	12,360	-	14,252	-	14,252
11210 Number of Unit Months Leased	1,168	704	12,146	-	14,018	-	14,018

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ *Pass-Through Grantor/* Program Title	**Federal CFDA Number**	**Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs:		
Low Rent Public Housing Program	14.850	$ 179,851
Capital Fund Program	14.872	42,976
Housing Voucher Cluster		
Section 8 Housing Choice Voucher Program	14.871	5,570,717
Total Housing Voucher Cluster		5,570,717
Continuum of Care	14.267	417,016
Total Direct Programs		6,210,560
Total U.S. Department of Housing and Urban Development		6,210,560
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 6,210,560

This schedule is prepared on the accrual basis of accounting.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Licking Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Licking Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Licking Metropolitan Housing Authority.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the GAAP basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: **INDIRECT COST RATE**

Licking Metropolitan Housing Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Members of the Board
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Licking Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

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

James G. Zupka, CPA, Inc.

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

June 12, 2018

JAMES G. ZUPKA, C.P.A., INC.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on Compliance for Each Major Federal Program

We have audited the Licking Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2017. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Licking Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

James G. Zupka, CPA, Inc.

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

June 12, 2018

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
UNIFORM GUIDANCE
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs	No
2017(v)	Type of Major Programs' Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2017(viii)	Dollar Threshold: Type A\B Programs	Type A: $750,000 Type B: All Others
2017(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

The audit report for the prior year ended December 31, 2016 contained no findings or citations.

Dave Yost • Auditor of State

LICKING COUNTY METROPOLITAN AUTHORITY

LICKING 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
JULY 3, 2018