ZANESVILLE METROPOLITAN HOUSING AUTHORITY MUSKINGUM COUNTY, OHIO

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE 18 MONTHS ENDED DECEMBER 31, 2017

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

Dave Yost • Auditor of State

Board of Directors
Zanesville Metropolitan Housing Authority
407 Pershing Road
Zanesville, OH 43701

We have reviewed the *Independent Auditor's Report* of the Zanesville Metropolitan Housing Authority, Muskingum County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 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 Zanesville Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

October 1, 2018

This page intentionally left blank.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE 18 MONTHS ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

This page intentionally left blank.

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

Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board	Regional Inspector General of Audit
Zanesville Metropolitan Housing Authority	Department of Housing and Urban
Zanesville, Ohio	Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, (the Authority) as of and for the period 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 did not audit the financial statements of the discretely presented component unit. The statements of the discretely presented component unit were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. 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. The other auditors audited the financial statements of the discretely presented component unit in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards.*

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, as of December 31, 2017 and the respective changes in financial position and cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Authority changed its fiscal year end to December 31. The financial statements for the Authority (principal government) include the 18 month period ending December 31, 2017. The component unit financial statements are for the 12 months ending December 31, 2017. Also, as discussed in Note 13, beginning net position was restated due to a change in the treatment of a note receivable and prepaid lease with the component unit. Our opinion is not modified with respect to these matters.

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 the 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 the 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 Financial Data Schedules are presented for purposes of additional analysis and are not a 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 also not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 July 20, 2018, on our consideration of the Zanesville Metropolitan Housing Authority, Ohio'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 Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2018.07.30 17:36:10 -04'00'

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

July 20, 2018

The following discussion and analysis of the Zanesville Metropolitan Housing Authority (the Authority) is to provide an introduction to the basic financial statements for the period ended December 31, 2017, with selected comparative information for the period ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

FINANCIAL HIGHLIGHTS

- Assets and Deferred Outflow of Resources of the Authority exceeded its Liabilities and Deferred Inflow of Resources at December 31, 2017 by $12,527,525 (net position). Of this amount, $5,441,133 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.

- Partly related to the RAD conversion and to get the year-end for the Primary Government the same as that of the Discretely Presented Component Unit, the Agency converted to a year-end of December 31 in this period from a year-end of June 30. As a result the Primary Government is reporting an 18 month fiscal period ending December 31, 2017.

- Net position decreased by $8,110,768. This was primarily due to the prior period adjustment of $9,300,000 related to treatment of the loan and prepaid lease balances with the Discretely Presented Component Unit, the treatment of which has changed now that the project has become operational.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a special purpose governmental entity and accounts for its financial activities as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets, except land, are depreciated over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies and practices.

AUTHORITY ACTIVITY HIGHLIGHTS

The following are the various programs that the Authority operates. These programs are included in the single enterprise fund:

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

Capital Fund Program (CFP)
The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development of housing units.

Housing Choice Voucher Program (Section 8)
The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons. Under the program, independent landlords rent units to eligible low income families and the Authority provides a Housing Assistance Payment to the landlord to make the rental affordable. HUD provides funding through an Annual Contributions Contract to enable the Authority to structure a lease that sets the participants' rents at about 30 percent of household income.

Special Needs Assessment Program (SNAP)/Continuum of Care
The program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities. The Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants rent at 30 percent of household income, and the Authority partners with support agencies in the community to provide supportive services to clients to help them live independently.

Resident Opportunity and Supportive Services, and PIH Family Self-Sufficiency Programs
A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents and Section 8 Program participants to move toward self-sufficiency and economic independence, and from welfare to work.

WIA Youth Activities
The Authority administers a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths.

Business Activity

The Business Activity Fund was set-up to separate the HUD funded program from non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

Component Unit

The Coopermill Manor Limited Partnership is a not-for-profit (IRS Section 501 (c)(3)) Corporation created by the Authority under HUD's Rental Asset Demonstration Program for the purpose of providing low income housing. The 324 units of what was formerly the Authority's Public Housing AMP 1 have been converted to Project Based Rental Assistance units (PBRA) under the oversight of HUD's Office of Multifamily Housing and transferred to Coopermill Manor LP. Coopermill Manor LP owns the units and the Zanesville Metropolitan Housing Authority manages the units.

FINANCIAL POSITION

The statement of net position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net position at December 31, 2017 and June 30, 2016:

Table 1 - Condensed Statement of Net Position

	2017	2016
Current Assets and Other Assets	$ 6,601,999	$ 6,117,991
Capital Assets	7,468,652	8,291,069
Other Non-Current Assets	1,177,842	11,227,914
Deferred Outflow of Resources	1,007,646	683,849
Total Assets and Deferred Outflows	$16,256,139	$26,320,823
Current Liabilities	$ 347,954	$ 2,812,596
Long-Term Liabilities	3,313,739	2,768,964
Total Liabilities	3,661,693	5,581,560
Deferred Inflow of Resources	66,921	100,970
Net Position		
Net Investment in Capital Assets	7,072,414	7,866,810
Restricted Net Position	13,978	63,078
Unrestricted Net Position	5,441,133	12,708,405
Total Net Position	12,527,525	20,638,293
Total Liabilities, Deferred Inflows, and Net Position	$16,256,139	$26,320,823

Current assets increased by almost $490,000. The increase was primarily in unrestricted cash, a result of the Agency earning a large portion of the developer fee related to the development of Coopermill Manor. Coopermill Manor is a former Public Housing site that the Agency converted under HUD's Rental Asset Demonstration program (commonly called RAD) in the previous fiscal period to property with project based rental assistance now owned by an affiliate Coopermill Manor Inc., the affiliate reported as a Discretely Presented Component Unit of the Authority. Other non-current assets decreased by more than $10 million, primarily the result of a change in the treatment of a note receivable with the Coopermill Manor RAD property, the need for which became apparent now that the property has become operational.

Current liabilities dropped by almost $2.5 million, again primarily related to the RAD conversion. First, at the end of the previous fiscal period, included in unearned revenue was a little more than $1 million that was prepaid developer fee which had not yet been earned at the end of the prior period but has since been earned. Also included in unearned revenue at the end of the prior period was prepaid ground lease paid by Coopermill Manor of $1.4 million. With the project becoming operational since the end of the last fiscal period, it has been concluded this balance needed to be treated differently and it is no longer being reported on the financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

The following is a summary of the results of operations of the Authority for the fiscal years ended December 31, 2017 and June 30, 2016.

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

Revenue	2017	2016
Tenant	$ 1,224,491	$ 1,080,693
Subsidies	8,748,265	6,388,891
Capital Grants	56,531	413,213
Interest	22,109	10,259
Other	2,935,975	554,081
Total Revenue	12,987,371	8,447,137
Expenses		
Administrative	2,025,972	1,300,288
Tenant Services	432,044	394,427
Utilities	286,672	321,306
Maintenance	2,434,481	1,948,836
Insurance and General	403,668	291,426
HAP	5,280,590	3,592,375
Depreciation	934,712	648,331
Total Expenses	11,798,139	8,496,989
Special Item	0	7,893,179
Change in Net Position	1,189,232	7,843,327
Beginning Net Position	20,638,293	12,794,966
Prior Period Adjustment	(9,300,000)	0
Ending Net Position	$12,527,525	$20,638,293

The primary reason for large increases reported in total incomes and total expenses is that in this period the Agency converted from a year-end of June 30 to a year-end of December 31, and as a result the December 31, 2017 reporting period is an 18 month reporting period. One significant change that was not primarily the result of the 18 month financial period reported is the change in other revenues. The developer fee earned for the development of the Coopermill Manor RAD project that contributed to the changes in so many balances on the Statement of Net Position is the reason why this balance increased so dramatically in this period.

The other significant balance reported in the current period is the prior period adjustment. This reduction of Net Position of $9.3 million is the result of a change in treatment of a note receivable and a prepaid ground lease with the Discretely Presented Component Unit. Now that the property has become operational it has been concluded the receipt of future payments on the debt is uncertain and so these balances have been removed from the financial statements of the primary government.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal year ended December 31, 2017:

	2017
Owned by Authority	350
Units Under Vouchers	939
Units Under Shelter Plus Care	96
Total Housing Units Managed	1,385

This space intentionally left blank.

Capital Assets

Capital assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2017 and changes from June 30, 2016:

Table 3 - Capital Assets

	2017
Land and Land Rights	$ 1,160,622
Buildings and Improvements	26,548,816
Equipment	1,489,997
Accumulated Depreciation	(21,730,783)
Total	$ 7,468,652
Capital Assets Activity:	
Capital Asset, Net at June 30, 2016	$ 8,291,069
Capital Additions in the period	112,295
Depreciation Expense	(934,712)
Capital Assets, Net at December 31, 2017	$ 7,468,652

Debt Administration

The Authority obtained a loan in the amount of $843,000 on June 1, 2002. The proceeds were used for the Zanesville Carey Metro Childcare, Inc. building. During 2014, the Authority refinanced this loan, the refinanced amount was $460,000 on March 18, 2014 and the new monthly installment of $2,801.99, which began April 18, 2014. Changes in debt in the period is summarized as follows:

Outstanding Principal Balance as of June 30, 2016	$ 424,259
Less:	
Principal Payments Made During the Year	(28,021)
Outstanding Principal Balance as of December 31, 2017	$ 396,238

Economic Factors

The economic outlook for the Zanesville Metropolitan Housing Authority continues to be uncertain. HUD continues the several year trend of paying admin fees for the Housing Choice Voucher program at prorations considerably lower than 100 percent, and paying operating subsidy for the Public Housing program at less than full eligibility. In addition funding for the Capital Fund Program has also continued to be at levels well below fully funded. These cuts continuing over so many periods presents obvious challenges to management to properly administer agency programs and adequately provide services to clients. Unfortunately, primarily due to the Federal budget situation, the forecast for significant improvement in the funding stream is not optimistic for the Public Housing industry. Locally the agency is being impacted by negative employment factors of stagnant job growth and a sluggish economic market.

Request for Information

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Julie Huntsman, Financial Coordinator, and Zanesville Metropolitan Housing Authority, 407 Pershing, Zanesville, Ohio 43701.

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

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 5,178,173	$ 1,482,176
Restricted Cash and Cash Equivalents	246,439	785,311
Investments	922,960	0
Receivables, Net of Allowance	25,660	16,336
Inventory, Net of Allowance	130,564	0
Prepaid Expenses and Other Assets	98,203	46,481
Total Current Assets	6,601,999	2,330,304
Capital Assets		
Non-Depreciable Capital Assets	1,160,622	0
Depreciable Capital Assets, Net	6,308,030	20,723,328
Total Capital Assets	7,468,652	20,723,328
Non-Current Assets		
Note Receivable	1,012,713	0
Other Assets	165,129	11,043,650
Total Non-Current Assets	1,177,842	11,043,650
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,007,646	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 16,256,139	$ 34,097,282
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 59,432	$ 512,150
Accrued Liabilities	128,244	88,498
Tenant Security Deposits	135,566	73,344
Unearned Revenue	6,686	12,571
Bonds, Notes, and Loans Payable	18,026	127,100
Total Current Liabilities	347,954	813,663
Noncurrent Liabilities		
Accrued Compensated Absences - Noncurrent	260,105	0
Noncurrent Liabilities - Other	96,895	1,125,426
Accrued Net Pension Liability	2,578,527	0
Long-Term Debt - Notes Payable and Loans	378,212	22,375,537
Total Noncurrent Liabilities	3,313,739	23,500,963
Total Liabilities	3,661,693	24,314,626
DEFERRED INFLOWS OF RESOURCES		
Pension	66,921	0
NET POSITION		
Net Investment in Capital Assets	7,072,414	8,920,691
Restricted Net Position	13,978	711,967
Unrestricted Net Position	5,441,133	149,998
Total Net Position	12,527,525	9,782,656
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$16,256,139	$ 34,097,282

See accompanying notes to the basic financial statements

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PRIMARY GOVERNMENT
FOR THE 18 MONTHS ENDED DECEMBER 31, 2017

Operating Revenues	
Government Grants	$ 8,748,265
Tenant Revenue	1,224,491
Other Revenue	2,924,562
Total Operating Revenues	12,897,318
Operating Expenses	
Administrative	2,025,972
Tenant Services	432,044
Utilities	286,672
Maintenance	2,434,481
Insurance	154,987
General and Protective Services	226,266
Housing Assistance Payments	5,280,590
Depreciation	934,712
Total Operating Expenses	11,775,724
Operating Income (Loss)	1,121,594
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	22,109
Gain on Disposition	11,413
Interest Expense	(22,415)
Total Non-Operating Revenues (Expenses)	11,107
Income (Loss) Before Capital Grants	1,132,701
Capital Grants	56,531
Change in Net Position	1,189,232
Total Net Position, Beginning of Year	20,638,293
Prior Period Adjustments (Note 13)	(9,300,000)
Net Position, End of Year	$ 12,527,525

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE 18 MONTHS ENDED DECEMBER 31, 2017

Operating Revenues	
Tenant Revenue	$ 2,154,518
Other Revenue	85,503
Total Operating Revenues	2,240,021
Operating Expenses	
Administrative	413,180
Utilities	499,424
Maintenance	403,398
Insurance	67,037
General and Protective Services	26,112
Depreciation	752,076
Total Operating Expenses	2,161,227
Operation Income (Loss)	78,794
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	230
Interest and Amortization Expense	(675,221)
Total Non-Operating Revenues (Expenses)	(674,991)
Income (Loss) Before Capital Grants	(596,197)
Capital Contributions	900,341
Change in Net Position	304,144
Total Net Position, Beginning of Year	9,478,512
Net Position, End of Year	$ 9,782,656

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF CASH FLOWS
PRIMARY GOVERNMENT
FOR THE 18 MONTHS ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Cash Received from HUD/Other Governments	$ 8,748,265
Cash Received From Tenants	1,220,493
Cash Payments for Housing Assistance	(5,280,590)
Cash Payments for Administrative Expenses	(1,992,645)
Other Operating Expenses	(3,490,862)
Cash Received - Other Expenses	1,989,388
Net Cash Provided by Operating Activities	1,194,049
Cash Flows from Capital and Related Financing Activities	
Capital Grants Received	56,531
Acquisition of Capital Assets	(112,295)
Principal Payment on Debt	(50,436)
Interest and Cash from Sale of Capital Assets	11,413
Net Cash (Used for) Capital and Other Related Financing Activities	(94,787)
Cash Flows from Investing Activities	
Interest and Investment Income Received	22,109
Investment Purchase	(8,692)
Note Receivable	(562,713)
Net Cash Provided from Investing Activities	(549,296)
Net Increase (Decrease) in Cash and Cash Equivalents	549,966
Cash and Cash Equivalents, Beginning	4,874,646
Cash and Cash Equivalents, Ending	$ 5,424,612
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Net Operating Income (Loss)	$ 1,121,594
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	934,712
(Increase) Decrease in:	
Accounts Receivable	75,457
Inventory, Net of Allowance	63,587
Prepaid and Other Assets	(151,609)
Deferred Outflows of Resources	(323,797)
Increase (Decrease) in:	
Accounts Payable	50,183
Accrued Liabilities/Unearned Revenue	(1,124,588)
Accrued Compensated Absences and Other Non-Current	(10,681)
Tenant Security Deposits	8,711
Deferred Inflows of Resources	(34,049)
Accrued Pensions Liabilities	584,529
Net Cash Used by Operating Activities	$ 1,194,049

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Cash Received from Tenants/Other	$ 2,251,020
Cash Used for Administrative Expense	(413,180)
Cash Used - Other Expenses	(999,649)
Net Cash Provided by Operating Activities	838,191
Cash Flows from Investing Activities	
Additions to Capital Assets	(3,184,232)
Interest Income	230
Net Cash Used from Investing Activities	(3,184,002)
Cash Flows from Financing Activities	
Interest Expenses	(651,624)
Proceeds from Mortgage Payable	2,927,022
Principal Payments Payable	(17,997,688)
Capital Contributions	900,341
Net Cash Provided by Financing Activities	(14,821,949)
Net Increase (Decrease) in Cash and Cash Equivalents	(17,167,760)
Cash and Cash Equivalents, Beginning	19,435,247
Cash and Cash Equivalents, Ending	$ 2,267,487
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Net Operating Income	$ 78,794
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation Expense	752,076
Changes in Operating Assets and Liabilities:	
Decrease in Accounts Payable - Trade	(10,743)
Increase in Account Receivable	(8,242)
Increase in Prepaid Rent	12,571
Decrease in Prepaid Expenses	7,065
Increase in Security Deposits Payable	6,670
Net Cash Provided by Operating Activities	$ 838,191

Supplemental Disclosure of Non-Cash Investing Activities:	
Increase in capital assets from increase in developer fee payable	$ 1,125,426

See accompanying notes to the basic financial statements.

NOTE 1: **REPORTING ENTITY**

Introduction

The Zanesville Metropolitan Housing Authority (the Authority), was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. Under the United States Housing Act of 1937, as amended, HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

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. The more significant of the Authority's accounting principles are described below.

As required by GAAP, the basic financial statements of the reporting entity include those of the Authority and any component units. Component units are separate legal entities that: elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, including the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* (as amended by GASB Statement No. 61) this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the operating entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basic of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

The financial statements of the Authority for the period ended December 31, 2017 are for the 18 month period ended then. The Authority converted to a December 31st year end from a June 30th year end in this reporting period.

NOTE 1: **REPORTING ENTITY** (Continued)

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

D. **Special Needs Assessment and Program (SNAP)/Continuum of Care**

The program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities.

The Authority administers contracts with independent landlords that own the property. The Authority subsidies the family's rent through a Housing Assistance Payment made to landlord. The program is administered under an Annual Contribution Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participant's rent at 30 percent of household income.

E. **Resident Opportunity and Supportive Services, and PIH Family Self-Sufficiency**

Grants funded by the Department of Housing and Urban Development that are intended to programs help residents work toward self-sufficiency and economic independence and move from welfare to work.

NOTE 1: **REPORTING ENTITY** (Continued)

F. **Business Activity**

The Business Activity Fund was set-up to separate the HUD funded program from non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Careytown Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

G. **Discretely Presented Component Unit**

Coopermill Manor is an Ohio Limited Partnership that was created for the purpose of providing low income housing. The 324 units have been converted to Project Based Rental Assistance units (PBRA) under the HUD's Office of Housing Multifamily. The Authority staff operates and manages the units. The financial statements reflected in this report is for the twelve month fiscal year ended December 31, 2017.

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

Basis of Presentation
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.

Fund Accounting
The Authority uses the propriety fund to report on its financial position and the results of its operations for its programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Proprietary Fund Types (Continued)

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

Measurement Focus/Basis of Accounting
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 subsidizes from HUD. Operating expenses for the enterprise fund include housing assistance payments and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents
Cash and cash equivalents includes all cash balances and highly liquid investments such as CDs, with initial maturities of 3 months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

Inventory
The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments
The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the period ending December 31, 2017 totaled $22,109.

Capital Assets
Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of $500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	15-40 years
Furniture, Fixtures and Equipment	3-10 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

Net Position
Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Income Taxes
No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

Operating Revenues and Expenses
Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions
This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of services are included in the calculation of the compensated absence accrual amount.

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

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

Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The Board of Commissioners adopts the budget through passage of budget resolution.

Pensions - Deferred Inflows/Outflows of Resources

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Pensions - Deferred Inflows/Outflows of Resources (Continued)
In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 5.

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. Deferred inflows of resources related to pension are explained in Note 5.

Accounting and Reporting for Nonexchange Transactions
Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB Statement No. 33 identifies four classes of nonexchange transactions as follows:

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sale taxes and other assessments on earnings or consumption).
- Imposed nonexchange revenues: result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (i.e., property taxes and fines).
- Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Accounting and Reporting for Nonexchange Transactions (Continued)
GASB Statement No. 33 establishes two distinct standards upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used, (i.e., capital grants used for purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHA's that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

NOTE 3: **DEPOSIT AND INVESTMENTS**

State statutes classify monies held by the Authority into three categories:

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

Inactive deposits are public deposits identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates maturing not later than the end of the current period of designation of depositories, of by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

Protection of Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by the Authority or by single collateral pool established by the financial institution to secure the repayment of all public monies deposited with institution.

Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure",* as of June 30, 2010, the Authority was not exposed to custodial risk as discussed below because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At December 31, 2017, the carrying amount of the Authority's deposits totaled \$6,347,572 and its bank balance was \$6,319,365. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*", as of December 31, 2017, \$5,092,046 was exposed to custodial risk as discussed below, while \$1,227,319 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve banks or at member banks of the Federal Reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value of return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

NOTE 3: DEPOSIT AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk - The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

Credit Risk - HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreements specifically requires compliance with HUD requirement.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority's practice to do business with more than one depository.

A reconciliation of cash and investments as shown on the Statement of Net Position at December 31, 2017 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	$5,178,173
Cash - Restricted	246,439
Investments - Unrestricted	922,960
Total	$6,347,572
Carrying Amount of Deposits	$6,347,572
Carrying Amount of Investments	0
Total	$6,347,572

Discretely Presented Component Unit - Cash and Cash equivalents include all cash balances with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash of $785,311 includes cash held with financial institutions for refunds of tenant security deposits, repairs or improvement to the buildings which extend their useful lives, funding of the working capital reserve, funds in connection with the Bonds and annual insurance payments and funds held in connection with the mortgage.

NOTE 4: TENANT ACCOUNT RECEIVABLES

As of December 31, 2017, due from tenants and clients was $43,949, with an allowance for doubtful accounts of $29,404.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (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 Pension Plan; therefore, the following disclosure focuses on the Traditional and Combined Pension plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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 5: **DEFINED BENEFIT PENSION PLAN** (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	13.0 %
Post-employment Health Care Benefits	1.0
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 to the Traditional and Combined Plans was $300,829 for the 18 months fiscal period December 31, 2017.

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.011620%	0.044480%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.011355%	0.045827%	
Change in Proportionate Share	-0.000265%	0.001347%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 2,578,527	$ (25,506)	$ 2,553,021
Pension Expense	$ 547,427	$ 18,427	$ 565,854

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	OPERS Combined Pension Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$384,001	$6,224	$390,225
Changes of assumptions	408,985	6,216	$415,201
Differences between expected and actual experience	3,495	0	$3,495
Changes in proportion and differences between Agency contributions and proportionate share of contributions	0	955	955
Agency contributions subsequent to the measurement date	176,340	21,430	197,770
Total Deferred Outflows of Resources	$972,821	$34,825	$1,007,646
Deferred Inflows of Resources			
Differences between expected and actual experience	$15,344	$13,045	$28,389
Changes in proportion and differences between Agency contributions and proportionate share of contributions	37,963	569	38,532
Total Deferred Inflows of Resources	$53,307	$13,614	$66,921

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

$197,770 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	OPERS Combined Pension Plan	Total
Year Ending December 31:			
2018	$293,399	$1,268	$294,667
2019	324,935	1,269	326,204
2020	136,096	1,000	$137,096
2021	(11,256)	(1,205)	($12,461)
2022	0	(973)	(973)
Thereafter	0	(1,578)	(1,578)
Total	$743,174	($219)	$742,955

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 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

reflecting experience study results, are presented below:

The total pension asset in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 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

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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 ear as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disable 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.

Actuarial Assumptions - OPERS

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.

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS (Continued)

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

Asset Class	Target Allocation	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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent)

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

Authority's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	$3,939,277	2,578,527	$1,444,583
Combined Plan	$1,833	(25,506)	($46,744)

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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 Plan 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.

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 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 health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees in Chapter 145 of the Ohio Revised Code.

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of 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 OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care 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 $24,607, $29,710 and $32,776, respectively.

NOTE 7: NON-CURRENT ASSETS

Development Loan

On November 1, 2015, The Authority entered into a loan with Coopermill Manor LP (the Partnership) in the amount of $450,000 to fund the development of the Project (the "Development Loan"). The Development Loan bears an interest rate of 2 percent per annum. Principal and interest payments are due and payable no later than 120 days following the end of each fiscal year for any year in which there has been Cash Flow, as defined in the Partnership Agreement. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of December 31, 2055. The Development Loan is secured by the Loan Documents, as defined in the development note. As of December 31, 2017, the Development Loan had an outstanding balance of $450,000, and accrued interest receivable of $18,000. Due to uncertainty of future principal and interest payments on the Development loan, interest will be recognized when received.

Development and Fee Receivable

On November 1, 2015, The Authority and PIRHL Developers, LLC entered into the Development Agreement with the Coopermill Manor for services rendered in overseeing the Development of the project. As of December 31, 2017, the outstanding balance of the development fee to be paid to The Authority was $562,713.

Discretely Presented Component Unit

Contingent Ground Lease

The partnership leases the land and building from The Authority under an operating lease. The lease was reflected on the accompanying balance sheet together with the note payable to The Authority in the amount of $10,700,000. Due to the uncertainty of future principal and interest payments on the note, the ground lease expense will be recorded consistent with cash payments on the Seller Loan.

Deferred Charges and Amortization

Deferred charges include Tax Credit fees of $367,247. Tax Credit fees are amortized on a straight-line basis over the 15-year Tax Credit period (the "Compliance Period"). Amortization expense for the year ended December 31, 2017 was $23,597 and accumulated as of December 31, 2017 was $23,597.

NOTE 8: **CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance June 30, 2016	Additions	Deletions	Reclasses	Balance December 31, 2017
Capital Assets Not Being Depreciated					
Land	$ 1,160,622	$ 0	$ 0	$ 0	$ 1,160,622
Construction in Progress	327,363	0	0	(327,363)	0
Total Capital Assets Not Being Depreciated	1,487,985	0	0	(327,363)	1,160,622
Capital Assets Being Depreciated					
Buildings and Improvements	26,164,921	56,532	0	327,363	26,548,816
Equipment and Vehicles	1,471,980	55,763	(37,746)	0	1,489,997
Subtotal Capital Assets Being Depreciated	27,636,901	112,295	(37,746)	327,363	28,038,813
Accumulated Depreciation					
Buildings and Improvements	(19,441,422)	(890,640)	0	0	(20,332,062)
Equipment and Vehicles	(1,392,395)	(44,072)	37,746	0	(1,398,721)
Total Accumulated Depreciation	(20,833,817)	(934,712)	37,746	0	(21,730,783)
Depreciable Capital Assets, Net	6,803,084	(822,417)	0	327,363	6,308,030
Total	$ 8,291,069	$ (822,417)	$ 0	$ 0	$ 7,468,652

Discretely Presented Component Unit

The following is a summary of changes in capital assets:

Capital Assets Being Depreciated	Balance January 1, 2017	Additions	Reclass	Balance December 31, 2017
Buildings	$ 10,042,683	$ 3,191,610	$ 4,852,837	$ 18,087,130
Furniture for Project/Tenant Use	775,874	1,118,048	0	1,893,922
Miscellaneous Fixed Assets	6,711,677	0	(4,852,837)	1,858,840
Subtotal Capital Assets Being Depreciated	17,530,234	4,309,658	0	21,839,892
Accumulated Depreciation	(364,488)	(752,076)	0	(1,116,564)
Total Depreciable Capital Assets, Net	$ 17,165,746	$ 3,557,552	$ 0	$ 20,723,328

NOTE 9: LONG-TERM DEBT

Loan Payable - Century National Bank

The Authority has an outstanding note payable with Century National Bank of $396,238, as of December 31, 2017. The original note was for $843,000 dated June 1, 2002, to be used for construction of a daycare facility known as Careytown Day Care Center. The note was refinanced in year-end June 30, 2014, an interest rate of 4 percent fixed rate for five years with a variable rate thereafter. The loan is amortized over a 20 year period.

Year Ended June 30	Principal	Interest	Total
2018	$ 18,026	$ 15,598	$ 33,624
2019	18,479	15,145	33,624
2020	19,201	14,423	33,624
2021	20,036	13,588	33,624
2022	20,864	12,760	33,624
2023-2027	117,948	50,171	168,119
2028-2032	144,418	23,701	168,119
2033-2035	37,266	1,114	38,380
Totals	$ 396,238	$ 146,500	$ 542,738

The following is a summary of changes in long-term liabilities for the year-ended December 31, 2017:

	Primary Government				
	Balance at 6/30/2016	Issued	Retired	Balance at 12/31/2017	Due Within One Year
Long-Term Debt					
Loan Payable	$ 424,259	$ 0	$ (28,021)	$ 396,238	$ 18,026
FSS Escrows	112,167	92,884	(108,156)	96,895	0
Accrued Compensated Absences	286,885	199,575	(207,220)	279,240	19,135
Net Pension Liability	1,993,998	584,529	0	2,578,527	0
Total Long-Term Debt Obligation	$ 2,817,309	$ 876,988	$(343,397)	$ 3,350,900	$ 37,161

NOTE 9: **LONG-TERM DEBT** (Continued)

Discretely Presented Component Unit

Bonds

On November 1, 2015, the Partnership entered into a Financing Agreement with OHFA and the Trustee, and was issued tax exempt Multifamily Housing Revenue Bonds (Coopermill Manor Project) Series 2015 in the amount of $17,850,000 to fund the acquisition and construction of the Project (the "Bonds"). The proceeds of the Bonds were deposited and maintained in the Project Bond Fund (see Note 3) by the Trustee, and shall be disbursed to the Partnership on a draw by draw basis subject to requisite approvals. The Bonds bore an interest rate of 0.85 percent per annum and matured on the fifth business day immediately preceding August 1, 2017. Beginning on the fifth business day prior to February 1 and August 1 of each year, commencing with the fifth business day prior to February 1, 2016, interest only payments shall be due and payable. The Bonds are secured by funds on deposit in the Collateral Account funded by the proceeds of the Permanent Loan as described in the Bond Indenture. The Bonds were paid in full using the Collateral Account on August 1, 2017.

For the year ended December 31, 2017, interest incurred was $122,176, of which $118,854 was expensed and $3,322 was capitalized. Pursuant to the Financing Agreement, debt service payments on the Bonds were deposited and maintained in the Negative Arbitrage Account.

Debt issuance costs were amortized to interest expense over the term of the Bonds. During 2017, interest expense for the debt issuance costs was $103,750, of which $95,170 was expensed and $8,580 was capitalized. For the year ended December 31, 2017, the effective interest rate of the Bonds, which includes interest expense and amortization of debt issuance costs, was 2.53 percent. Debt issuance costs related to the Bonds were fully amortized during 2017 due to the payoff of the Bonds.

Development

On November 1, 2015, the Partnership entered into a loan with Zanesville Metropolitan Housing Authority in the amount of $450,000 to fund the development of the Project (the "Development Loan"). The Development Loan bears an interest rate of 2 percent per annum. Principal and interest payments are due and payable no later than 120 days following the end of each fiscal year for any year in which there has been Cash Flow, as defined in the Partnership Agreement. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of December 31, 2055. The Development Loan is secured by the Loan Documents, as defined in the development note. As of December 31, 2017, the Development Loan had an outstanding balance of $450,000. Due to uncertainty of future principal and interest on the Development Loan, interest will be expensed when payments are made. As of December 31, 2017, accrued interest payable totaled $18,000. Because payments on this debt is subject to available cash flow, future payments cannot be projected.

NOTE 9: **LONG-TERM DEBT - PRIMARY GOVERNMENT** (Continued)

Discretely Presented Component Unit (Continued)

Seller Loan
On November 1, 2015, the Partnership entered into a loan with Zanesville Metropolitan Housing Authority in the amount of $10,700,000 related to ZMHA's transfer of a leasehold interest in the Project (the "Seller Loan"). The Seller Loan bears an interest rate at of 5 percent per annum, compounding annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. Due to the uncertainty of future principal and interest payments on the Seller Loan, interest will be expensed when payments are made. At December 31, 2017, the principal balance is $10,700,000 and cumulative unrecorded and unpaid interest is $1,195,056. Because payments on this debt is subject to available cash flow, future payments cannot be projected.

Permanent Loan
On November 1, 2015, the Partnership entered into a FHA-insured mortgage loan with Red Mortgage in the amount of $12,030,100 to fund the construction or rehabilitation of the Project on the ground leased land (the "Permanent Loan"). The Permanent Loan bears an interest rate of 3.98 percent, per annum. Beginning December 1, 2015 through July 1, 2017, interest only payments are due and payable monthly. Beginning August 1, 2017, interest and principal payments are due and payable monthly on the 1st day of each month over the term of the Permanent Loan in the amount of $50,129. All unpaid accrued interest and principal are due payable on the maturity date of July 1, 2057. The Permanent Loan is secured by, among other thing, a first mortgage, deed to secure debt or deed of trust. For the year ended December 31, 2017, interest incurred was $412,480, of which $393,717 was expensed and $18,763 was capitalized. As of December 31, 2017, accrued interest on the Permanent Loan totaled $37,329, and is included in accrued interest on the accompanying balance sheet.

HDAP Loan
On November 1, 2015, the Partnership entered into a loan with Zanesville MHA and Ohio Housing Finance Agency in the amount of $750,000 to fund the development of the Project (the "HDAP Loan"). The HDAP Loan bears an interest rate of 2 percent, per annum, compounding semi-annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. For the year ended December 31, 2017, interest incurred was $18,658, of which $17,758 was expensed and $900 was capitalized. As of December 31, 2017, accrued interest on the HDAP Loan totaled $25,405, and is included in accrued interest on the accompanying balance sheet.

NOTE 9: **LONG-TERM DEBT** (Continued)

Discretely Presented Component Unit (Continued)

HDAP Loan (Continued)
Mortgages payable consists of the following as of December 31,2017:

Permanent Loan	$11,255,246
HDAP Loan	750,000
Total Principal Balance	12,005,246
Less: Unamortized Debt Issuance Costs	(652,609)
Mortgages Payable, Net of Unamortized Debt Issuance Costs	$11,352,637

Debt issuance costs are being amortized to interest expense over the term of the mortgages. During 2017, interest expense for debt issuance costs was $18,737, of which $17,559 was expensed and $1,178 was capitalized. Accumulated amortization as of December 31, 2017, was $249,000. For the year ended December 31, 2017, the effective interest rate of the Permanent Loan, which includes interest expense and amortization of debt issuance costs, was 4.41 percent.

Future minimum principal payment requirements on the Permanent Loan and HDAP Loan over the next five years and thereafter are as follows:

2018	$ 127,100
2019	132,251
2020	137,612
2021	143,190
2022	148,994
Thereafter	11,316,099
Total	$12,005,246

NOTE 10: **ECONOMIC DEPENDANCY**

Both the PHA Low Rent Public Housing Program and the Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 11: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ending December 31, 2017, the Authority maintained comprehensive insurance coverage with private carriers for health, real estate property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 12: GROUND LEASE AGREEMENT AND SELLER FINANCING

On November 2, 2015, the Authority entered into a loan with the Coopermill Manor Partnership in the amount of $10,700,000 related to the Authority's transfer of a leasehold interest in the Project (the "Seller Loan"). An operating lease was also reported between the parties so that the entire $10,700,000 represented a prepaid lease to the Authority. The Seller Loan bears an interest rate at of 5 percent per annum, compounding annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available cash flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. As of December 31, 2017, the Seller Loan had an outstanding balance of $10,700,000, and the cumulative unrecorded and unpaid interest is $1,195,056. Due to the uncertainty of future principal and interest payments on the Seller Loan, the note receivable and corresponding prepaid lease are not reported on the financial statements of the Authority, and interest will be recognized when it is received. The component unit's Statement of Net Position contains the Seller Loan payable of $10,700,000, but this amount is offset by a prepaid ground lease other asset in the same amount.

NOTE 13: PRIOR PERIOD ADJUSTMENT

At the end of the prior fiscal period, the Authority had reported the Note Receivable of $10,700,000 and the prepaid ground lease of $1,400,000 relating to the Seller Loan and Prepaid Ground Lease consistent with how the Discretely Presented Component Unit reported such balances. Since then, the respective project has become operational and there is uncertainty about future principal and interest payments on the seller note and if interest will be recognized when received. In order to remain consistent with the treatment of such balances, the Authority has recorded a prior period adjustment to remove the balances from its financial statements.

NOTE 14: **SUBSEQUENT EVENTS**

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM 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	0.011355%	0.011620%	0.012276%	0.012276%
Authority's Proportionate Share of the Net Pension Liability	$ 2,578,527	$ 2,012,729	$ 1,480,623	$ 1,447,180
Authority's Covered-Employee Payroll	$ 1,485,475	$ 1,638,814	$ 1,694,864	$ 1,718,757
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	173.58%	122.82%	87.36%	84.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Combined Plan				
Authority's Proportion of the Net Pension (Asset)	0.045827%	0.044480%	0.048646%	0.048646%
Authority's Proportionate Share of the Net Pension (Asset)	$ (25,506)	$ (21,644)	$ (18,730)	$ (5,104)
Authority's Covered-Employee Payroll	$ 1,485,475	$ 1,638,814	$ 1,694,864	$ 1,718,757
Authority's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	1.72%	1.32%	1.11%	0.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.55%	116.90%	114.83%	104.33%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information and additional years will be displayed as it becomes available.

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$197,770	$178,257	$196,658	$203,384	$223,438	$251,350	$258,747	$261,551	$251,542	$237,609
Contributions in Relation to the Contractually Required Contribution	($197,770)	($178,257)	($196,658)	($203,384)	($223,438)	($251,350)	($258,747)	($261,551)	($251,542)	($237,609)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$1,521,308	$1,485,475	$1,638,817	$1,694,867	$1,718,754	$2,513,500	$2,587,470	$2,906,122	$2,959,318	$3,394,414
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%	8.50%	7.00%

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%, © 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.

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

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,484,521	-	-	-	-	159,682	1,482,176	2,715,886	818,084	6,660,349	-	6,660,349
113 Cash - Other Restricted	3,112	-	-	-	-	107,761	711,967	-	-	822,840	-	822,840
114 Cash - Tenant Security Deposits	135,566	-	-	-	-	-	73,344	-	-	208,910	-	208,910
100 Total Cash	1,623,199	-	-	-	-	267,443	2,267,487	2,715,886	818,084	7,692,099	-	7,692,099
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-	-	7,109	7,109	-	7,109
125 Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	434	3,572	4,006	-	4,006
126 Accounts Receivable - Tenants	9,379	-	-	-	-	-	16,336	-	-	25,715	-	25,715
126.1 Allowance for Doubtful Accounts -Tenants	-500	-	-	-	-	-	-	-	-	-500	-	-500
128 Fraud Recovery	-	-	-	-	-	34,570	-	-	-	34,570	-	34,570
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-28,904	-	-	-	-28,904	-	-28,904
120 Total Receivables, Net of Allowances for Doubtful Accounts	8,879	-	-	-	-	5,666	16,336	434	10,681	41,996	-	41,996
131 Investments - Unrestricted	485,198	-	-	-	-	-	-	437,762	-	922,960	-	922,960
142 Prepaid Expenses and Other Assets	83,120	-	-	-	-	8,555	46,481	-	6,528	144,684	-	144,684
143 Inventories	-	-	-	-	-	-	-	-	152,064	152,064	-	152,064
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-	-	-21,500	-21,500	-	-21,500
144 Inter Program Due From	-	-	2,783	-	-	-	-	37,258	8,638	48,679	-48,679	-
150 Total Current Assets	2,200,396	-	2,783	-	-	281,664	2,330,304	3,191,340	974,495	8,980,982	-48,679	8,932,303
161 Land	1,024,522	-	-	-	-	-	-	116,100	20,000	1,160,622	-	1,160,622
162 Buildings	18,518,121	-	-	-	-	-	18,087,130	3,726,184	1,041,408	41,372,843	-	41,372,843
163 Furniture, Equipment & Machinery - Dwellings	226,200	-	-	-	-	-	1,893,922	-	211,222	2,331,344	-	2,331,344
164 Furniture, Equipment & Machinery - Administration	86,569	-	-	-	-	14,450	-	295,638	655,918	1,052,575	-	1,052,575
165 Leasehold Improvements	2,926,863	-	-	-	-	-	-	323,790	12,450	3,263,103	-	3,263,103
166 Accumulated Depreciation	-17,216,195	-	-	-	-	-14,450	-1,116,564	-3,088,415	-1,411,723	-22,847,347	-	-22,847,347
167 Construction in Progress	-	-	-	-	-	-	1,858,840	-	-	1,858,840	-	1,858,840
160 Total Capital Assets, Net of Accumulated Depreciation	5,566,080	-	-	-	-	-	20,723,328	1,373,297	529,275	28,191,980	-	28,191,980
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-		1,012,713	-	1,012,713	-	1,012,713
174 Other Assets	3,570	-	-	-	-	3,571	11,043,650	64,705	93,283	11,208,779	-	11,208,779
180 Total Non-Current Assets	5,569,650	-	-	-	-	3,571	31,766,978	2,450,715	622,558	40,413,472	-	40,413,472
200 Deferred Outflow of Resources	141,070	-	-	-	-	141,071	-	141,071	584,434	1,007,646	-	1,007,646
290 Total Assets and Deferred Outflow of Resources	7,911,116	-	2,783	-	-	426,306	34,097,282	5,783,126	2,181,487	50,402,100	-48,679	50,353,421
312 Accounts Payable <= 90 Days	2,529	-	205	-	-	8,205	512,150	408	48,085	571,582	-	571,582
321 Accrued Wage/Payroll Taxes Payable	9,974	-	1,277	-	-	8,557	-	-	44,623	64,431	-	64,431
322 Accrued Compensated Absences - Current Portion	-	-	-	-	-	-	-	-	19,135	19,135	-	19,135
325 Accrued Interest Payable	-	-	-	-	-	-	80,734	-	-	80,734	-	80,734
341 Tenant Security Deposits	135,566	-	-	-	-	-	73,344	-	-	208,910	-	208,910
342 Unearned Revenue	5,385	-	1,301	-	-	-	12,571	-	-	19,257	-	19,257
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	-	127,100	18,026	-	145,126	-	145,126
345 Other Current Liabilities	-	-	-	-	-	-	-	19,007	-	19,007	-	19,007
346 Accrued Liabilities - Other	16,332	-	-	-	-	-	7,764	315	9,024	33,435	-	33,435
347 Inter Program - Due To	8,638	-	-	-	-	-	-	-	40,041	48,679	-48,679	-
310 Total Current Liabilities	178,424	-	2,783	-	-	16,762	813,663	37,756	160,908	1,210,296	-48,679	1,161,617
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	22,375,537	378,212	-	22,753,749	-	22,753,749
353 Non-current Liabilities - Other	3,112	-	-	-	-	93,783	1,125,426	-	-	1,222,321	-	1,222,321
354 Accrued Compensated Absences - Non Current	26,279	-	-	-	-	64,539	-	50,666	118,621	260,105	-	260,105

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

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
357 Accrued Pension and OPEB Liabilities	360,991	-	-	-	-	360,994	-	360,994	1,495,548	2,578,527	-	2,578,527
350 Total Non-Current Liabilities	390,382	-	-	-	-	519,316	23,500,963	789,872	1,614,169	26,814,702	-	26,814,702
300 Total Liabilities	568,806	-	2,783	-	-	536,078	24,314,626	827,628	1,775,077	28,024,998	-48,679	27,976,319
400 Deferred Inflow of Resources	9,367	-	-	-	-	9,371	-	9,371	38,812	66,921	-	66,921
508.4 Net Investment in Capital Assets	5,566,080	-	-	-	-	-	-1,779,309	977,059	529,275	5,293,105	-	5,293,105
511.4 Restricted Net Position	-	-	-	-	-	13,978	711,967	-	-	725,945	-	725,945
512.4 Unrestricted Net Position	1,766,863	-	-	-	-	-133,121	10,849,998	3,969,068	-161,677	16,291,131	-	16,291,131
513 Total Equity - Net Assets / Position	7,332,943	-	-	-	-	-119,143	9,782,656	4,946,127	367,598	22,310,181	-	22,310,181
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	7,911,116	-	2,783	-	-	426,306	34,097,282	5,783,126	2,181,487	50,402,100	-48,679	50,353,421

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE PERIOD ENDED DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	1,222,869	-	-	-	-	-	2,154,518	-	-	3,377,387	-	3,377,387
70400 Tenant Revenue - Other	1,622	-	-	-	-	-	12,120	-	-	13,742	-	13,742
70500 Total Tenant Revenue	1,224,491	-	-	-	-	-	2,166,638	-	-	3,391,129	-	3,391,129
70600 HUD PHA Operating Grants	2,445,408	291,612	-	64,411	128,042	5,760,022	-	-	-	8,689,495	-	8,689,495
70610 Capital Grants	56,531	-	-	-	-	-	-	-	-	56,531	-	56,531
70710 Management Fee	-	-	-	-	-	-	-	-	603,244	603,244	-603,244	-
70720 Asset Management Fee	-	-	-	-	-	-	-	-	63,000	63,000	-63,000	-
70730 Book Keeping Fee	-	-	-	-	-	-	-	-	160,696	160,696	-160,696	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-	1,152,423	1,152,423	-1,152,423	-
70750 Other Fees	-	-	-	-	-	-	-	-	375,255	375,255	-	375,255
70700 Total Fee Revenue	-	-	-	-	-	-	-	-	2,354,618	2,354,618	-1,979,363	375,255
70800 Other Government Grants	-	-	58,770	-	-	-	-	-	-	58,770	-	58,770
71100 Investment Income - Unrestricted	20,683	-	-	-	-	1,271	230	155	-	22,339	-	22,339
71400 Fraud Recovery	-	-	-	-	-	18,360	-	-	-	18,360	-	18,360
71500 Other Revenue	56,234	-	-	-	-	87,709	973,724	2,369,976	17,028	3,504,671	-	3,504,671
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	5,516	5,897	11,413	-	11,413
70000 Total Revenue	3,803,347	291,612	58,770	64,411	128,042	5,867,362	3,140,592	2,375,647	2,377,543	18,107,326	-1,979,363	16,127,963
91100 Administrative Salaries	206,868	-	43,985	2,521	-	196,085	103,185	-	528,130	1,080,774	-	1,080,774
91200 Auditing Fees	3,283	-	-	-	-	9,471	35	-	-	12,789	-	12,789
91300 Management Fee	391,021	-	-	-	28,203	184,020	124,308	-	-	727,552	-603,244	124,308
91310 Book-keeping Fee	73,886	-	-	-	-28,203	115,013	-	-	-	160,696	-160,696	-
91400 Advertising and Marketing	-	-	-	-	-	-	2,239	-	-	2,239	-	2,239
91500 Employee Benefit contributions - Administrative	155,650	-	7,419	1,601	-	141,413	58,328	-	356,598	721,009	-	721,009
91600 Office Expenses	113,849	-	-	-	-	93,187	41,643	101	27,168	275,948	-	275,948
91700 Legal Expense	4,794	-	-	-	-	5,561	4,925	3,000	38,966	57,246	-	57,246
91800 Travel	21,358	-	-	-	-	1,628	3,177	-	19,679	45,842	-	45,842
91900 Other	2,515	-	7,366	-	-	7,915	19,098	23,905	1,956	62,755	-	62,755
91000 Total Operating - Administrative	973,224	-	58,770	4,122	-	754,293	356,938	27,006	972,497	3,146,850	-763,940	2,382,910
92000 Asset Management Fee	63,000	-	-	-	-	-	7,764	-	-	70,764	-63,000	7,764
92100 Tenant Services - Salaries	-	207,788	-	-	66,553	-	33,059	-	-	307,400	-	307,400
92200 Relocation Costs	-	-	-	-	-	-	3,672	-	-	3,672	-	3,672
92300 Employee Benefit Contributions - Tenant Services	-	83,824	-	-	50,072	-	18,687	-	-	152,583	-	152,583
92400 Tenant Services - Other	5,203	-	-	-	11,417	-	-	7,187	-	23,807	-	23,807
92500 Total Tenant Services	5,203	291,612	-	-	128,042	-	55,418	7,187	-	487,462	-	487,462
93100 Water	23,598	-	-	-	-	997	66,768	496	1,101	92,960	-	92,960
93200 Electricity	171,421	-	-	-	-	2,174	132,012	3,758	13,429	322,794	-	322,794
93300 Gas	6,327	-	-	-	-	403	133,689	5,719	11,505	157,643	-	157,643
93600 Sewer	-	-	-	-	-	2,594	-	812	2,611	6,017	-	6,017
93800 Other Utilities Expense	39,727	-	-	-	-	-	166,955	-	-	206,682	-	206,682
93000 Total Utilities	241,073	-	-	-	-	6,168	499,424	10,785	28,646	786,096	-	786,096
94100 Ordinary Maintenance and Operations - Labor	-	-	-	-	-	-	151,902	-	678,024	829,926	-	829,926
94200 Ordinary Maintenance and Operations - Materials and Other	97,696	-	-	-	-	-	42,226	1,374	251,677	392,973	-	392,973
94300 Ordinary Maintenance and Operations Contracts	1,201,793	-	-	-	-	2,766	37,000	45,330	28,397	1,315,286	-1,152,423	162,863
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	-	85,866	-	472,207	558,073	-	558,073
94000 Total Maintenance	1,299,489	-	-	-	-	2,766	316,994	46,704	1,430,305	3,096,258	-1,152,423	1,943,835
95100 Protective Services - Labor	50,443	-	-	-	-	-	31,604	-	-	82,047	-	82,047
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-	-	250	438	688	-	688

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE PERIOD ENDED DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
95500 Employee Benefit Contributions - Protective Services	42,970	-	-	-	-	-	17,865	-	-	60,835	-	60,835
95000 Total Protective Services	93,413	-	-	-	-	-	49,469	250	438	143,570	-	143,570
96110 Property Insurance	71,179	-	-	-	-	8,336	37,352	6,908	7,385	131,160	-	131,160
96120 Liability Insurance	31,685	-	-	-	-	10,817	23,425	-	-	65,927	-	65,927
96130 Workmen's Compensation	4,070	-	-	-	-	1,988	2,872	-	2,779	11,709	-	11,709
96140 All Other Insurance	7,380	-	-	-	-	1,003	6,260	-	1,457	16,100	-	16,100
96100 Total insurance Premiums	114,314	-	-	-	-	22,144	69,909	6,908	11,621	224,896	-	224,896
96200 Other General Expenses	491	-	-	-	-	1,171	40,631	73,299	17,194	132,786	-	132,786
96210 Compensated Absences	-	-	-	-	-	7,531	-	-	-	7,531	-	7,531
96400 Bad debt - Tenant Rents	22,221	-	-	-	-	-	12,604	-	-	34,825	-	34,825
96600 Bad debt - Other	10,258	-	-	-	-	-	-	-	-	10,258	-	10,258
96000 Total Other General Expenses	32,970	-	-	-	-	8,702	53,235	73,299	17,194	185,400	-	185,400
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	651,624	-	-	651,624	-	651,624
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	22,415	-	22,415	-	22,415
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	23,597	-	-	23,597	-	23,597
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	-	675,221	22,415	-	697,636	-	697,636
96900 Total Operating Expenses	2,822,686	291,612	58,770	4,122	128,042	794,073	2,084,372	194,554	2,460,701	8,838,932	-1,979,363	6,859,569
97000 Excess of Operating Revenue over Operating Expenses	980,661	-	-	60,289	-	5,073,289	1,056,220	2,181,093	-83,158	9,268,394	-	9,268,394
97100 Extraordinary Maintenance	789,621	-	-	-	-	-	-	-	-	789,621	-	789,621
97200 Casualty Losses - Non-capitalized	18,019	-	-	-	-	-	-	-	-	18,019	-	18,019
97300 Housing Assistance Payments	-	-	-	60,289	-	5,195,595	-	-	-	5,255,884	-	5,255,884
97350 HAP Portability-In	-	-	-	-	-	24,706	-	-	-	24,706	-	24,706
97400 Depreciation Expense	758,380	-	-	-	-	-	752,076	121,966	54,366	1,686,788	-	1,686,788
90000 Total Expenses	4,388,706	291,612	58,770	64,411	128,042	6,014,374	2,836,448	316,520	2,515,067	16,613,950	-1,979,363	14,634,587
10010 Operating Transfer In	254,045	-	-	-	-	-	-	-	-	254,045	-254,045	-
10020 Operating transfer Out	-254,045	-	-	-	-	-	-	-	-	-254,045	254,045	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-585,359	-	-	-	-	-147,012	304,144	2,059,127	-137,524	1,493,376	-	1,493,376
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-	28,021	-	28,021	-	28,021
11030 Beginning Equity	7,436,057	-	-	-	-	27,869	9,478,512	12,672,668	501,699	30,116,805	-	30,116,805
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	482,245	-	-	-	-	-		-9,785,668	3,423	-9,300,000	-	-9,300,000
11170 Administrative Fee Equity	-	-	-	-	-	-133,121	-	-	-	-133,121	-	-133,121
11180 Housing Assistance Payments Equity	-	-	-	-	-	13,978	-	-	-	13,978	-	13,978
11190 Unit Months Available	6,300	-	-	-	-	16,902	-	-	-	23,202	-	23,202
11210 Number of Unit Months Leased	6,091	-	-	-	-	15,335	-	-	-	21,426	-	21,426

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE 18 MONTH PERIOD ENDED DECEMBER 31, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Urban Development		
Direct Programs		
Public and Indian Housing Operating Subsidy	14.850	$ 1,304,539
Resident Opportunity and Support Services	14.870	128,042
Housing Choice Voucher Cluster		
Section 8 Housing Choice Voucher	14.871	5,760,022
Total Housing Choice Voucher		
Public Housing Capital Fund	14.872	1,197,400
Continuum of Care	14.267	64,411
PIH Family Self Sufficiency	14.896	291,612
Total U.S. Department of Housing and Urban Development		8,746,026
U.S. Department of Labor		
WIA Youth Activities	17.259	58,770
Total Department of Labor		58,770
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 8,804,796

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

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Zanesville 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 Zanesville Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Zanesville 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**

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

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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
Zanesville Metropolitan Housing Authority
Zanesville, 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 and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, (the Authority) as of and for the period 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 July 20, 2018, wherein we noted the Authority changed its fiscal year end and beginning net position was restated due to a change in the treatment of a note receivable and prepaid lease with the component unit.

Our report includes a reference to other auditors who have audited the financial statements of the discretely presented component unit, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. The financial statements of the discretely presented component were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Zanesville Metropolitan Housing 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 opinions 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 Zanesville Metropolitan Housing 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 in not suitable for any other purpose.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2018.07.30 17:36:59 -04'00'

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

July 20, 2018

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Zanesville Metropolitan Housing Authority's 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 period 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 Zanesville Metropolitan Housing 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 its 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 Zanesville 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 period ended December 31, 2017.

Report on Internal Control Over Compliance

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

James G. Zupka, CPA,
President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2018.07.30 17:37:27 -04'00'

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

July 20, 2018

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 Cluster: Section 8 Housing Choice Vouchers - 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.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE 18 MONTHS ENDED DECEMBER 31, 2017

The audit report for the fiscal year ending June 30, 2016 contained no audit findings or management letter recommendations.

Dave Yost · Auditor of State

ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM 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
OCTOBER 11, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov