JEFFERSON METROPOLITAN HOUSING AUTHORITY

JEFFERSON COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

James G. Zupka, CPA, Inc.

Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Jefferson Metropolitan Housing Authority
815 North Sixth Street
Steubenville, Ohio 43952

We have reviewed the *Independent Auditor's Report* of the Jefferson Metropolitan Housing Authority, Jefferson County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 Jefferson Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

September 3, 2019

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JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

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

Board of Directors
Jefferson Metropolitan Housing Authority
Steubenville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio, as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and also adjusted net position to properly state a balance owed to HUD. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of the Jefferson 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 the Jefferson Metropolitan Housing Authority, Ohio'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=jgz@jgzcpa.com, c=US
Date: 2019.07.15 15:54:06 -04'00'

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

June 14, 2019

The Jefferson Metropolitan Housing Authority ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position increased by $742,455 (5.20 percent) due to results from operations. Net position was $15,019,941 at December 31, 2018, and $14,277,486 at December 31, 2017.

- Revenues of the Authority increased by $172,986 (1.77 percent) in 2018. Revenues were $9,590,753 in 2017 and $9,763,739 in 2018. The reason for the increase in revenue is due to additional HUD grant revenue earned during the year. The 2017 financial statements reported in Other Income an award from a settlement of a lawsuit. For 2018, the Authority's actual revenue, without considering the revenue from the lawsuit settlement, was an increase of $1,095,422, with the main increase due to operating and capital fund grants.

- Total expenses of the Authority decreased by $163,760 (1.78 percent) in 2018. Total expenses were $9,185,044 in 2017 and $9,021,284 in 2018.

The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide) and the individual programs. Both perspectives (Authority-wide and individual programs) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all activities are consolidated into columns, which add to a total for the entire Authority.

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

The focus of the Statement of Net Position (the "*Unrestricted Net Position*") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position is reported in three broad categories:

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

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

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

The Authority-wide financial statements also include a *Statement of Revenues, Expenses and Changes in Fund Net Position* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

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

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

Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by private sector accounting.

Accounting balances for many of the programs maintained by the Authority are segregated as required by the U.S. Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

The Authority's Programs

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Public Housing Agencies to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, 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.

Section 8 New Construction - Gaylord Towers - Under the Section 8 New Construction Program, the Authority rents units that it owns to elderly households. The Program is operated to allow the Authority to provide the housing at a rent based on 30 percent of household income.

Section 8 Moderate Rehabilitation - Single Room Only - The Authority administers Section 8 Rental Assistance Programs where HUD enters into an annual contribution contract with a private owner. The owner rents housing to eligible low-income individuals who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the private owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

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.

New GASB 75 Reporting

The net pension liability (NPL) is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. For 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting costs and liabilities related to other post-employment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Government Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and post-employment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability GASB 68 and GASB 75 take an earning approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statement.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other post-employment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible health care recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPB expense for their proportionate share of each plan's change in net position liability and net OPEB liability, respectively, not accounting for deferred inflows/outflows.

As a result of implementing GASB 75, the Authority is reporting net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 3,1 2017 from $15,516,420 to $14,277,486. Please see Note 2 to the financial statements for a further detailed explanation for the restatement of net position.

AUTHORITY-WIDE STATEMENT

The following is a condensed Statement of Net Position compared to the prior year-end. The Authority is engaged only in business-type activities.

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

	2018	2017 Restated
Assets and Deferred Outflows of Resources		
Assets		
Current and Other Assets	$ 6,179,208	$ 5,457,584
Non-Current Assets	16,582,549	17,156,322
Total Assets	22,761,757	22,613,906
Deferred Outflows	337,217	852,303
Total Assets and Deferred Outflows of Resources	$ 23,098,974	$ 23,466,209
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities	$ 959,711	$ 979,735
Non-Current Liabilities	6,376,583	7,916,823
Total Liabilities	7,336,294	8,896,558
Deferred Inflows of Resources	742,739	292,165
Net Position		
Invested in Capital Assets	12,249,018	12,436,598
Restricted Net Position	41,093	295,781
Unrestricted Net Position	2,729,830	1,545,107
Total Net Position	15,019,941	14,277,486
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 23,098,974	$ 23,466,209

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

Major Factors Affecting the Statement of Net Position

During 2018, current assets and other assets increased by $721,624. The current and other assets, primarily cash and investments, increased due to results from operations. Current liabilities remain relatively unchanged with a decrease of only $20,024.

Long term liabilities increased by $1,540,240. This increase was due to the change in net pension and OPEB liabilities and to record a liability to HUD of $329,328 due to the IG audit finding.

During 2018, investment in capital assets decreased by $187,580, due primarily to net depreciation and current year purchases. Unrestricted net position increased by $1,184,723, and restricted net position decreased by $254,688. These changes are due to the result of current year activities.

The following is a condensed Statement of Revenues, Expenses and Changes in Net Position**.** The Authority is engaged only in business-type activities.

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

	2018	2017
Revenues		
Total Tenant Revenues	$ 1,166,596	$ 1,130,012
Operating Subsidies	7,970,397	7,021,142
Capital Grants	537,045	400,826
Investment Income	1,324	1,065
Other Revenues	88,377	1,037,708
Total Revenues	9,763,739	9,590,753
Expenses		
Administrative	1,010,116	1,354,691
Utilities	1,133,227	1,028,566
Maintenance	1,428,033	1,438,429
Protective Services	342,790	334,965
General, Insurance and Interest Expenses	471,438	487,367
Housing Assistance Payments	3,198,777	3,025,727
Depreciation	1,436,903	1,515,299
Total Expenses	9,021,284	9,185,044
Net Increase	742,455	405,709
Beginning Net Position	14,277,486	N/A
Ending Net Position	$ 15,019,941	$ 14,277,486

N/A - Information necessary to restate the fiscal year 2017 beginning balance and the 2017 OPEB expenses related to implementation of GASB 75 is not available.

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

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

Total revenues increased by $172,986 (1.80 percent) in 2018. This increase was due to a net difference between an increase in grant revenue for the year of $1,085,474 and a decrease in the 2017 financial statements reporting revenue of $974,062 from a settlement of a lawsuit filed against the U.S. Federal Government for wrongfully recapturing excess operating reserve from the Authority.

Total expenses decreased $163,760 (1.78 percent) in 2018. The largest decreases were reductions in administration and other general.

The following table shows the change in net position of the Authority for the fiscal year ended December 31, 2018:

Table 3 - Changes in Unerstricted Net Position

	2018
Beginning Balance - December 31, 2017, Restated	$ 1,545,107
Results of Operations	997,143
Adjustments:	
Current Year Depreciation Expense (1)	1,436,903
Capital Expenditure (2)	(863,130)
Retirement of Debt	(386,193)
Ending Balance - December 31, 2018	$ 2,729,830

Capital Assets

As of year-end, the Authority had $16,582,549 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of $573,773 or 3.34 percent from the end of prior year.

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

Table 4 - Condensed Statement of Changes in Capital Assets at Year End
(Net of Depreciation)

	2018	2017
Land and Land Rights	$ 2,697,982	$ 2,697,982
Buildings	44,921,910	44,480,067
Dwelling Equipment	1,211,613	1,138,550
Administration Equipment	860,945	855,346
Construction in Progress	1,215,012	872,387
Accumulated Depreciation	(34,324,913)	(32,888,010)
Total Capital Assets, Net	$ 16,582,549	$ 17,156,322

The following reconciliation summarizes the change in capital assets.

Table 5 - Capital Assets at Year-End

Beginning Balance - December 31, 2017	$ 17,156,322
Current Year Additions	863,130
Current Year Depreciation Expense	(1,436,903)
Ending Balance - December 31, 2018	$ 16,582,549

Current year additions represented various capital improvements such as water heaters, sewer line replacement, security camera recorder, and electric door operator.

Debt Outstanding

As of year-end, the Authority had debt of $4,333,531 for the Energy Performance Contract. This is a decrease of $386,193 from prior year.

Table 6 - Condensed Statement of Changes in Debt Outstanding

Beginning Balance - December 31, 2017, Restated	$	4,719,724
Current Year Debt Retired		(386,193)
Ending Balance - December 31, 2018	$	4,333,531

Economic Factors

Significant economic factors affecting the Authority are as follows:

1. Federal funding provided by Congress to the U.S. Department of Housing and Urban Development (HUD)

2. Local labor and demand, which can affect salary and wage rates.

3. Local inflationary, recessionary and employment trends, which can affect resident incomes, and therefore the amount of rental income

4. Inflationary pressure on utility rates, supplies and other costs.

5. Property condition.

Recommended

1. Keep expenses to a minimum.

2. Do not acquire any more debt.

3. Follow HUD recommendations for Security to extent possible financially, without incurring outlays.

4. Financial issues should become paramount to Authority.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Melody McClurg, Executive Director of the Jefferson Metropolitan Housing Authority, at (740) 282-0994.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets	
Current Assets	
Cash and Cash Equivalents - Unrestricted	$ 5,371,836
Cash and Cash Equivalents - Restricted	246,820
Accounts Receivable, Net	30,210
Inventories, Net	31,199
Prepaid Expenses and Other Assets	499,143
Total Current Assets	6,179,208
Non-Current Assets	
Non-depreciable Capital Assets	3,912,994
Depreciable Capital Assets, Net	12,669,555
Total Non-Current Assets	16,582,549
Total Assets	22,761,757
Deferred Outflows of Resources	
Pension	277,841
OPEB	59,376
Total Deferred Outflows of Resources	337,217
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 23,098,974
LIABILITIES, DEFERRED INFLOWS AND RESOURCES, AND NET POSITION	
Liabilities	
Current Liabilities	
Accounts Payable	$ 230,961
Accrued Compensated Absences - Current	60,787
Accrued Liabilities	43,413
Tenant Security Deposits	140,975
Notes Payable - Current	412,424
Accured Interest Payable	71,151
Total Current Liabilities	959,711
Non-Current Liabilities	
Accrued Compensated Absences - Non-Current	69,497
Notes Payable - Net of Current Portion	3,921,107
Accrued Pension Liability	1,212,060
Accrued OPEB Liability	806,843
Other Non-Current Liabilities	367,076
Total Non-Current Liabilities	6,376,583
Total Liabilities	7,336,294
Deferred Inflow of Resources	
Pension	567,050
OPEB	175,689
Total Deferred Inflows of Resources	742,739
Net Position	
Investment in Captial Assets	12,249,018
Restricted Net Position	41,093
Unrestricted Net Position	2,729,830
Total Net Position	15,019,941
TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES, AND NET POSITION	$ 23,098,974

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Tenant Revenue	$ 1,166,596
Government Operating Grants	7,970,397
Other Revenues	88,377
Total Operating Revenue	9,225,370
Operating Expenses	
Administrative	1,010,116
Utilities	1,133,227
Maintenance	1,428,033
Protection Services	342,790
General and Insurance	353,792
Housing Assistance Payment	3,198,777
Total Operating Expenses	7,466,735
Income Before Depreciation	1,758,635
Depreciation	1,436,903
Operating Income	321,732
Non-Operating Revenues	
Interest and Investment Revenue	1,324
Interest Expense	(117,646)
Capital Grant Revenue	537,045
Total Non-Operating Revenues	420,723
Change in Net Position	742,455
Total Net Position at-Beginning of Year	14,277,486
Total Net Position at End of Year	$ 15,019,941

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Operating Grants Received	$ 7,969,524
Tenant Revenue Received	1,162,566
Other Revenue Received	1,075,690
General and Administrative Expenses Paid	(4,484,602)
Housing Assistance Payments	(3,198,777)
Net Cash Provided (Used) by Operating Activities	2,524,401
Cash Flows from Investing Activities	
Interest Received	1,324
Net Cash Provided (Used) by Investing Activities	1,324
Cash Flows from Capital and Related Activities	
Capital Grant Funds Received	537,045
Capital Assets Purchased	(863,130)
Debt Principal Payments	(386,193)
Interest Payments	(123,987)
Net Cash Provided (Used) by Capital and Related Activities	(836,265)
Net Increase (Decrease) in Cash	1,689,460
Cash and Cash Equivalents at Beginning of Year	3,929,196
Cash and Cash Equivalents at End of Year	$ 5,618,656
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	$ 321,732
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	1,436,903
(Increase) Decrease in:	
Accounts Receivable	983,559
Prepaid Expenses	(16,351)
Inventory	628
Deferred Outflows of Resources	515,087
Increase (Decrease) in:	
Accounts Payable	10,266
Accrued Liabilities	2,109
Tenant Security Deposits	(1,149)
Pension Liability	(944,775)
OPEB Liability	(114,308)
Accrued Compensated Absences	(30,882)
Deferred Inflows	450,574
Other Current Liabilities	(24,230)
Non-Current Liabilities - Other	(64,762)
Net Cash Provided by Operating Activities	$ 2,524,401

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies
The financial statements of the Jefferson Metropolitan Housing Authority (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 policies are described below.

Reporting Entity
The Authority was created under the Ohio Revised Code Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low- and moderate-income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

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

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

Basis of Presentation

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

The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

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

Fund Accounting

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

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

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

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

Description of Programs
The Authority uses a single enterprise fund to maintain its financial records on the accrual basis. The following are the various programs which are included in the Enterprise Fund:

A. ***Public Housing Program***
The Public Housing Program is designed to provide low-cost housing within Jefferson 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. ***New Construction***
Gaylord Tower is an apartment building owned by the Authority. The units are rented to elderly households. The building is operated under a Housing Assistance Payment (HAP) contract with HUD, and HUD provides subsidy to allow the Authority to provide the housing at a rent based on 30 percent of household income.

E. ***Section 8 Moderate Rehabilitation Program***
The Authority administers Section 8 rental assistance programs where HUD enters into annual contribution contracts with a private owner. The owner rents housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the private owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

F. ***Business Activity***
Washington Square - Washington Square is an apartment building owned by the Authority. The apartments are rented to moderate income individuals for a set low income rent.

Investments
The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2018 totaled $1,324.

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

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 $2,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment, and Machinery	3-7 years

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

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 operations. 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 contribution contract.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

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 service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and **(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 liability.

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

Net Position

Net position represents the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources. 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.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by HUD. Budgets are submitted to HUD and, once approved, are adopted by the Board of the Authority.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports 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 and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the Statement of Net Pension for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB plans report investments at fair value.

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). These changes were incorporated in the Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this pronouncement had the following effect on net position as reported at December 31, 2017:

Net Position December 31, 2017	$	15,516,420
Adjustments:		
Net OPEB liability		(921,151)
Deferred Outflows		11,545
Adjustment to properly state balance owed due to IG finding		(329,328)
Restated Net Position December 31, 2017	$	14,277,486

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources, as the information needed to generate these restatements was not available.

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

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

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

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

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

Deposits (Continued)

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

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

At fiscal year end December 31, 2018, the carrying amount of the Authority's deposits totaled $5,618,656 (including $100 petty cash) and its bank balance was $5,758,487. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2018, $5,008,487 was exposed to custodial risk as discussed below, while $750,000 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 of 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 subdivision 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 deposits. 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 or return is based 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.

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's practice to limit its investments to three years or less.

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

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

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.

The Authority had no investments December 31, 2018.

NOTE 4: **RESTRICTED CASH**

The restricted cash balance as of December 31, 2018 of $246,820 represents cash on hand for the following:

FSS Escrow Funds Held for Tenants	$ 64,752
Housing Assistance Funds on Hand	41,093
Tenant Security Deposits	140,975
Total Restricted Cash on Hand	**$ 246,820**

NOTE 5: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2018, by class is as follows:

	Balance 12/31/17	Adjustments	Additions	Deletions	Balance 12/31/18
Capital Assets Not Being Depreciated					
Land	$ 2,697,982	$ 0	$ 0	$ 0	$ 2,697,982
Construction in Progress	872,387	0	342,625	0	1,215,012
Total Capital Assets Not Being Depreciated	3,570,369	0	342,625	0	3,912,994
Capital Assets Being Depreciated					
Buildings and Improvements	44,480,067	0	441,843	0	44,921,910
Furniture, Machinery, and Equipment -					
Dwelling	1,138,550	0	73,063	0	1,211,613
Administration	855,346	0	5,599	0	860,945
Total Capital Assets Being Depreciated	46,473,963	0	520,505	0	46,994,468
Accumulated Depreciation					
Buildings and Improvements	(31,122,374)	0	(1,351,616)	0	(32,473,990)
Furniture, Machinery, and Equipment -					
Dwelling	(966,269)	0	(65,503)	0	(1,031,772)
Administration	(799,367)	0	(19,784)	0	(819,151)
Total Accumulated Depreciation	(32,888,010)	0	(1,436,903)	0	(34,324,913)
Capital Assets being Depreciated, Net	13,585,953	0	(916,398)	0	12,669,555
Total Capital Assets, Net	$ 17,156,322	$ 0	$ (573,773)	$ 0	$ 16,582,549

NOTE 6: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability/(asset) 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 accounts payable on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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.

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

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

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

	State and Local
2017 - 2018 Statutory Maximum and Actual Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution for pension was $131,754 for fiscal year ending December 31, 2018. Of this amount, $10,018 is reported within the accrued liabilities.

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

The net pension liability/(asset) was measured as of December 31, 2017, 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
Proportionate Share of the Net Pension Liability	$ 1,212,060
Percentage for Proportionate Share of Net Pension Liability	0.007726%
Change in Proportionate Share from Prior Measurement Date	0.001772%
Pension Expense	$ 29,464

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

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

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Change in Assumptions	$ 144,849
Differences between expected and actual experience	1,238
Authority contributions subsequent to the measurement date	131,754
Total Deferred Outflows of Resources	$ 277,841
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 260,213
Differences between expected and actual experience	23,886
Changes in proportionate share	282,951
Total Deferred Inflows of Resources	$ 567,050

$131,754 reported as deferred outflows of resources related to pension resulting from the Authority's 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:

Year Ending December 31:	
2019	$ (79,654)
2020	(119,800)
2021	(114,584)
2022	(106,925)
Total	$ (420,963)

Actuarial Assumptions - OPERS

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

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

Actuarial Assumptions – OPERS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, 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. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

The total pension asset in the December 31, 2017, 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 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

Actuarial Assumptions – OPERS (Continued)

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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The 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 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

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

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

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	$ 2,152,309	$ 1,212,060	$ 428,175

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is now known, it has the potential to impact the Authority's net pension liability.

NOTE 7: **DEFINED BENEFIT OPEB PLANS**

Net OPEB Liability

The net OPEB liability reported on the Statement of Net Position represents a liability to employees for OPEB. OPEB is a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation, including OPEB.

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

Net OPEB Liability (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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.

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.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60 or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses, and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

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

	State and Local
2018 Statutory Maximum and Actual Contribution Rates	
Employer	14.0 %
Employee	10.0 %

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 the 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 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $1,270 for fiscal year ending December 31, 2018.

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

	Health Care Plan
Proportionate Share of the Net OPEB Liability	$ 806,843
Proportion of the Net OPEB Liability	0.007430%
Change in the Proportion from Prior Measurement Date	-0.001690%
Pension Expense	$ 13,551

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Health Care Plan
Deferred Outflows of Resources	
Change in Assumptions	$ 58,747
Differences between expected and actual experience	629
Total Deferred Outflows of Resources	$ 59,376
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 60,105
Change in proportionate share and difference between Employer contribution and proportionte share of contribution	115,584
Total Deferred Inflows of Resources	$ 175,689

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Health Care Plan
Year Ending December 31:	
2019	$ (41,900)
2020	(41,900)
2021	(17,487)
2022	(15,026)
Total	$ (116,313)

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

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.

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Single Discount Rate:	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent, including wage inflation
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OPERS (Continued)

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care 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 continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 7: **DEFINED BENEFIT OPEB PLANS** (Continued)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 1,071,926	$ 806,843	$ 592,394

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the Authority's proportionate share of the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care.

A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease (6.50%)	Current Trend Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net OPEB liability	$ 771,977	$ 806,843	$ 842,859

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 6.50 percent to 6.00 percent. Although the exact amount of these changes is not known, it has the potential to impact the Authority's net OPEB liability.

NOTE 7: **LONG-TERM LIABILITIES**

Change in long-term liabilities:

	Restated Balance 12.31.2017	Issued	Retired	Balance 12/31/2018	Due Within One Year
Long-Term Debt	$ 4,719,724	$ 0	$ (386,193)	$ 4,333,531	$ 412,424
Compensated Absence	161,166	51,012	(81,894)	130,284	60,787
Other - FSS Escrow	101,359	26,637	(63,244)	64,752	0
Other - Payable to HUD	0	329,328	(9,385)	319,943	17,619
Net Pension Liability	2,156,835	0	(944,775)	1,212,060	N/A
Net OPEB Liaiblity	921,151	0	(114,308)	806,843	N/A
Total	$ 8,060,235	$ 406,977	$ (1,599,799)	$ 6,867,413	$ 490,830

On August 26, 2013, the Authority entered into an equipment lease-purchase agreement to acquire equipment under an energy performance contract in order to upgrade the heating and energy efficiency of several properties in the amount of $5,869,771. Annual principal payments began on May 15, 2014. The annual rate of interest is 2.267 percent with the agreement maturing on August 26, 2026.

The following is a summary of the Authority’s future debt service requirements for debt payable as of December 31, 2018:

Year	Principal	Interest	Total Payments
2019	$ 412,424	$ 113,842	$ 526,266
2020	439,826	103,007	542,833
2021	486,445	91,453	577,898
2022	498,328	79,147	577,475
2023	529,523	66,056	595,579
2024-2026	1,984,985	112,716	2,097,701
Total	$ 4,351,531	$ 566,221	$ 4,917,752

NOTE 9: **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 fiscal year ending December 31, 2018, the Authority maintained comprehensive insurance coverage with private carriers for general liability, real property, building contents, and vehicles through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance pool comprised of thirty-nine (39) Ohio housing authorities, of which the Authority is one. 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 9: **RISK MANAGEMENT** (Continued)

The Authority provides health care benefits to its employees via participation in a partially self-funded health care plan, OME-RESA Health Benefits Program. The Authority makes monthly payments to the Plan Administrator for claims paid by the Plan in the previous month. An estimated asset of $282,615 for excess funding was reported at December 31, 2018.

NOTE 10: **CONTINGENCIES**

The Office of Inspector General and the U.S. Department of Housing and Urban Development issued three reports in the prior audit period and subsequent to it in the current year (2015-CH-1004, 2015-CH-1007, and 2016-CH-1005) of audits it has completed of certain activities of the Authority. The reports contained audit findings that resulted in disallowed costs. On September 29, 2017, the Authority signed a repayment agreement whereas the Authority is to make repayment of $463,885 to the Operating Fund Reserves, $375,336 to the Housing Assistance Payment Reserve, and $39,445 to the Housing Assistance Administrative Fee Reserve over a period of no more than forty years. On April 26, 2018, the Agreement was amended to reflect the following repayment terms:

A. Reimburse the Operating Fund Reserves $463,885 from non-federal funds in thirty-nine equal installments of $11,598 and $11,563 in the fortieth year. Payment is due no later than November 30th of each year.

B. Reimburse the Housing Assistance Payment Reserve $329,328 from non-federal funds in thirty-nine equal installments of $8,234 and $8,202 in the fortieth year. Payment is due no later than November 30th of each year.

C. Reimburse the Administrative Fee Reserve $28,779 from non-federal funds in thirty-nine equal installments of $720 and $699 in the fortieth year. Payment is due no later than November 30th of each year.

The amount repaid and outstanding balance as of December 31, 2018 are as follows:

	Balance as of 12/31/2017	Adjustment for Amended Amount	Payments Made	Balance as of 12/31/2018	
Operating Reserves	$ 410,683	$ 0	$ (11,598)	$ 399,085	
Housing Assistance Reserve	365,951	(46,008)	(9,385)	310,558	*
Admin. Fee Reserve	38,458	(10,666)	(987)	26,805	
Total	$ 815,092	$ (56,674)	$ (21,970)	$ 736,448	

* Differs from the $319,943 reported in the summary of changes in long-term liabilities by the amount repaid the prior year to the JMHA Federal program. The amount repaid to the JMHA Federal program was to have been paid to HUD and payment to HUD is pending at December 31, 2018.

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

Traditional Plan	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.007726%	0.009498%	0.001168%	0.012994%	0.012994%
Authority's Proportionate Share of the Net Pension Liability	$ 1,212,060	$ 2,156,834	$ 2,023,296	$ 1,567,218	$ 1,531,820
Authority's Covered Payroll	$ 1,052,853	$ 1,260,376	$ 1,593,071	$ 1,531,414	$ 1,603,290
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	115.12%	171.13%	127.01%	102.34%	95.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

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

Traditional Plan	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 131,754	$ 132,736	$ 147,343	$ 174,458	$ 191,169	$ 199,084	$ 160,329	$ 161,687	$ 148,182	$ 124,370
Contributions in Relation to the Contractually Required Contribution	$ (131,754)	$ (132,736)	$ (147,343)	$ (174,458)	$ (191,169)	$ (199,084)	$ (160,329)	$ (161,687)	$ (148,182)	$ (124,370)
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority's Covered Payroll	$ 941,100	$ 1,021,043	$ 1,227,857	$ 1,453,814	$1,593,071	$ 1,531,414	$ 1,603,286	$1,616,871	$ 1,646,464	$ 1,463,171
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%

(1) - Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

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

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.007430%	0.009120%
Authority's Proportionate Share of the Net OPEB Liability	$ 806,843	$ 921,151
Authority's Covered Payroll	$ 1,052,850	$ 1,260,293
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.63%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN
LAST TEN FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 0	$ 10,529	$ 25,206	$ 29,404	$ 31,861	$ 15,314	$ 64,131	$ 64,675	$ 82,323	$ 83,719
Contributions in Relation to the Contractually Required Contribution	0	(10,529)	(25,206)	(29,404)	(31,861)	(15,314)	(64,131)	(64,675)	(82,323)	(83,719)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered Payroll	$ 928,300	$ 1,052,850	$ 1,260,293	$ 1,470,186	$ 1,593,071	$ 1,531,414	$ 1,603,286	$ 1,616,871	$ 1,646,464	$ 1,522,164
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%	4.00%	4.00%	5.00%	5.50%

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
STATEMENT OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	OH12P014501-14
Funds Approved	$ 829,883
Funds Expended	829,883
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 829,883
Funds Expended	829,883
Excess (Deficiency) of Funds Advanced	$ 0

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

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

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.182 N/C S/R Section 8 Programs	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	2,663,216	21,701	58,768	33,808	743,024	1,041,552	809,767	5,371,836	-	5,371,836
113 Cash - Other Restricted	-	-	105,845	-	-	-	-	105,845	-	105,845
114 Cash - Tenant Security Deposits	107,835	-	-	-	22,587	10,553	-	140,975	-	140,975
100 Total Cash	2,771,051	21,701	164,613	33,808	765,611	1,052,105	809,767	5,618,656	-	5,618,656
122 Accounts Receivable - HUD Other Projects	-	-	-	2,920	-	-	-	2,920	-	2,920
125 Accounts Receivable - Miscellaneous	400	-	-	-	-	-	-	400	-	400
126 Accounts Receivable - Tenants	50,026	-	-	-	5,853	1,369	-	57,248	-	57,248
126.1 Allowance for Doubtful Accounts -Tenants	-30,405	-	-	-	-3,587	-1,008	-	-35,000	-	-35,000
126.2 Allowance for Doubtful Accounts - Other	-6,729	-	-	-	-816	-376	-	-7,921	-	-7,921
127 Notes, Loans, & Mortgages Receivable - Current	10,721	-	-	-	1,331	511	-	12,563	-	12,563
120 Total Receivables, Net of Allowances for Doubtful Accounts	24,013	-	-	2,920	2,781	496	-	30,210	-	30,210
142 Prepaid Expenses and Other Assets	186,292	-	1,361	61	16,651	4,848	289,930	499,143	-	499,143
143 Inventories	26,549	-	-	-	6,179	1,937	-	34,665	-	34,665
143.1 Allowance for Obsolete Inventories	-2,654	-	-	-	-618	-194	-	-3,466	-	-3,466
144 Inter Program Due From	-	-	-	-	-	-	3,417	3,417	-3,417	-
150 Total Current Assets	3,005,251	21,701	165,974	36,789	790,604	1,059,192	1,103,114	6,182,625	-3,417	6,179,208
161 Land	2,581,882	-	-	-	70,000	41,100	5,000	2,697,982	-	2,697,982
162 Buildings	40,450,253	-	-	-	3,778,380	558,900	134,377	44,921,910	-	44,921,910
163 Furniture, Equipment & Machinery - Dwellings	1,084,101	-	-	-	123,259	4,253	-	1,211,613	-	1,211,613
164 Furniture, Equipment & Machinery - Administration	435,843	-	35,059	-	94,975	-	295,068	860,945	-	860,945
166 Accumulated Depreciation	-30,007,296	-	-35,059	-	-3,898,546	-78,974	-305,038	-34,324,913	-	-34,324,913
167 Construction in Progress	879,527	-	-	-	335,485	-	-	1,215,012	-	1,215,012
160 Total Capital Assets, Net of Accumulated Depreciation	15,424,310	-	-	-	503,553	525,279	129,407	16,582,549	-	16,582,549
171 Notes, Loans and Mortgages Receivable - Non-Current	386,995	-	38,895	-	-	-	-	425,890	-425,890	-
180 Total Non-Current Assets	15,811,305	-	38,895	-	503,553	525,279	129,407	17,008,439	-425,890	16,582,549
200 Deferred Outflow of Resources	145,833	-	42,024	2,478	26,628	2,689	117,565	337,217	-	337,217
290 Total Assets and Deferred Outflow of Resources	18,962,389	21,701	246,893	39,267	1,320,785	1,587,160	1,350,086	23,528,281	-429,307	23,098,974
312 Accounts Payable <= 90 Days	111,222	-	863	2	47,334	2,033	2,197	163,651	-	163,651
321 Accrued Wage/Payroll Taxes Payable	10,778	-	905	249	2,975	412	28,094	43,413	-	43,413
322 Accrued Compensated Absences - Current Portion	58,014	-	-	-	2,398	375	-	60,787	-	60,787
325 Accrued Interest Payable	71,151	-	-	-	-	-	-	71,151	-	71,151
331 Accounts Payable - HUD PHA Programs	-	21,701	-	1,341	-	-	-	23,042	-	23,042
333 Accounts Payable - Other Government	14,934	-	9,385	-	9,006	2,709	8,234	44,268	-	44,268
341 Tenant Security Deposits	107,835	-	-	-	22,587	10,553	-	140,975	-	140,975
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	412,424	-	-	-	-	-	-	412,424	-	412,424
347 Inter Program - Due To	-	-	3,417	-	-	-	-	3,417	-3,417	-
310 Total Current Liabilities	786,358	21,701	14,570	1,592	84,300	16,082	38,525	963,128	-3,417	959,711

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.182 N/C S/R Section 8 Programs	1 Business Activities	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	3,921,107	-	-	-	-	-	-	3,921,107	-	3,921,107
353 Non-current Liabilities - Other	-	-	64,752	-	-	386,995	341,219	792,966	-425,890	367,076
354 Accrued Compensated Absences - Non Current	27,060	-	3,112	878	15,620	1,384	21,443	69,497	-	69,497
357 Accrued Pension and OPEB Liabilities	1,014,919	-	213,098	17,787	193,931	29,468	549,700	2,018,903	-	2,018,903
350 Total Non-Current Liabilities	4,963,086	-	280,962	18,665	209,551	417,847	912,362	6,802,473	-425,890	6,376,583
300 Total Liabilities	5,749,444	21,701	295,532	20,257	293,851	433,929	950,887	7,765,601	-429,307	7,336,294
400 Deferred Inflow of Resources	407,640	-	69,098	7,256	79,684	14,073	164,988	742,739	-	742,739
508.4 Net Investment in Capital Assets	11,090,779	-	-	-	503,553	525,279	129,407	12,249,018	-	12,249,018
511.4 Restricted Net Position	-	-	41,093	-	-	-	-	41,093	-	41,093
512.4 Unrestricted Net Position	1,714,526	-	-158,830	11,754	443,697	613,879	104,804	2,729,830	-	2,729,830
513 Total Equity - Net Assets / Position	12,805,305	-	-117,737	11,754	947,250	1,139,158	234,211	15,019,941	-	15,019,941
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	18,962,389	21,701	246,893	39,267	1,320,785	1,587,160	1,350,086	23,528,281	-429,307	23,098,974

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.182 N/C S/R Section 8 Programs	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	741,696	-	-	-	298,552	123,575	-	1,163,823	-	1,163,823
70400 Tenant Revenue - Other	1,960	-	-	-	813	-	-	2,773	-	2,773
70500 Total Tenant Revenue	743,656	-	-	-	299,365	123,575	-	1,166,596	-	1,166,596
70600 HUD PHA Operating Grants	3,953,494	-	3,387,156	108,124	521,623	-	-	7,970,397	-	7,970,397
70610 Capital Grants	537,045	-	-	-	-	-	-	537,045	-	537,045
70710 Management Fee	-	-	-	-	-	-	662,866	662,866	-662,866	-
70720 Asset Management Fee	-	-	-	-	-	-	80,160	80,160	-80,160	-
70730 Book Keeping Fee	-	-	-	-	-	-	106,838	106,838	-106,838	-
70700 Total Fee Revenue	-	-	-	-	-	-	849,864	849,864	-849,864	-
71100 Investment Income - Unrestricted	1,141	-	82	14	-	-	87	1,324	-	1,324
71400 Fraud Recovery	-	-	13,054	-	-	-	-	13,054	-	13,054
71500 Other Revenue	38,787	-	42,629	68	4,174	1,944	2,121	89,723	-14,400	75,323
70000 Total Revenue	5,274,123	-	3,442,921	108,206	825,162	125,519	852,072	10,628,003	-864,264	9,763,739
91100 Administrative Salaries	198,763	-	74,730	9,045	60,902	14,725	217,721	575,886	-	575,886
91200 Auditing Fees	13,470	-	1,800	1,250	1,800	300	624	19,244	-	19,244
91300 Management Fee	576,334	-	86,532	-	-	-	-	662,866	-662,866	-
91310 Book-keeping Fee	52,756	-	54,083	-	-	-	-	106,839	-106,837	2
91400 Advertising and Marketing	277	-	-	-	-	-	2,757	3,034	-	3,034
91500 Employee Benefit contributions - Administrative	18,206	-	12,733	1,625	12,247	2,441	41,973	89,225	-	89,225
91600 Office Expenses	48,835	-	15,473	76	2,715	909	45,720	113,728	-	113,728
91700 Legal Expense	-	-	-	-	-	-	14,007	14,007	-	14,007
91800 Travel	7,331	-	14	-	289	-	554	8,188	-	8,188
91900 Other	89,407	-	58,997	891	17,965	3,417	30,526	201,203	-14,401	186,802
91000 Total Operating - Administrative	1,005,379	-	304,362	12,887	95,918	21,792	353,882	1,794,220	-784,104	1,010,116
92000 Asset Management Fee	80,160	-	-	-	-	-	-	80,160	-80,160	-
93100 Water	237,574	-	-	-	56,874	11,614	1,069	307,131	-	307,131
93200 Electricity	465,495	-	-	-	108,104	22,198	4,144	599,941	-	599,941
93300 Gas	32,718	-	-	-	7,523	-	317	40,558	-	40,558
93600 Sewer	143,966	-	-	-	34,457	6,584	590	185,597	-	185,597
93000 Total Utilities	879,753	-	-	-	206,958	40,396	6,120	1,133,227	-	1,133,227
94100 Ordinary Maintenance and Operations - Labor	310,580	-	-	-	61,078	4,555	-	376,213	-	376,213
94200 Ordinary Maintenance and Operations - Materials and Other	229,768	-	399	-	24,927	2,772	590	258,456	-	258,456
94300 Ordinary Maintenance and Operations Contracts	615,627	-	-	-	84,122	11,608	4,424	715,781	-	715,781
94500 Employee Benefit Contributions - Ordinary Maintenance	64,808	-	-	-	11,631	1,144	-	77,583	-	77,583
94000 Total Maintenance	1,220,783	-	399	-	181,758	20,079	5,014	1,428,033	-	1,428,033
95100 Protective Services - Labor	13,393	-	-	-	1,396	227	-	15,016	-	15,016
95200 Protective Services - Other Contract Costs	193,318	-	-	-	121,046	56	-	314,420	-	314,420
95500 Employee Benefit Contributions - Protective Services	12,547	-	-	-	743	64	-	13,354	-	13,354
95000 Total Protective Services	219,258	-	-	-	123,185	347	-	342,790	-	342,790

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.182 N/C S/R Section 8 Programs	1 Business Activities	COCC	Subtotal	ELIM	Total
96110 Property Insurance	130,282	-	-	-	6,614	2,797	508	140,201	-	140,201
96120 Liability Insurance	64,638	-	788	-	10,367	2,229	6,464	84,486	-	84,486
96100 Total insurance Premiums	194,920	-	788	-	16,981	5,026	6,972	224,687	-	224,687
96300 Payments in Lieu of Taxes	15,330	-	-	-	9,021	2,714	5	27,070	-	27,070
96400 Bad debt - Tenant Rents	61,971	-	-	-	2,777	1,650	-	66,398	-	66,398
96800 Severance Expense	16,206	-	2,599	541	3,839	248	12,204	35,637	-	35,637
96000 Total Other General Expenses	93,507	-	2,599	541	15,637	4,612	12,209	129,105	-	129,105
96720 Interest on Notes Payable (Short and Long Term)	117,646	-	-	-	-	-	-	117,646	-	117,646
96700 Total Interest Expense and Amortization Cost	117,646	-	-	-	-	-	-	117,646	-	117,646
96900 Total Operating Expenses	3,811,406	-	308,148	13,428	640,437	92,252	384,197	5,249,868	-864,264	4,385,604
97000 Excess of Operating Revenue over Operating Expenses	1,462,717	-	3,134,773	94,778	184,725	33,267	467,875	5,378,135	-	5,378,135
97300 Housing Assistance Payments	-	-	3,103,941	85,072	-	-	-	3,189,013	-	3,189,013
97350 HAP Portability-In	-	-	9,764	-	-	-	-	9,764	-	9,764
97400 Depreciation Expense	1,308,117	-	220	-	108,962	14,823	4,781	1,436,903	-	1,436,903
90000 Total Expenses	5,119,523	-	3,422,073	98,500	749,399	107,075	388,978	9,885,548	-864,264	9,021,284
10010 Operating Transfer In	466,215	-	-	-	-	-	-	466,215	-466,215	-
10020 Operating transfer Out	-466,215	-	-	-	-	-	-	-466,215	466,215	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	154,600	-	20,848	9,706	75,763	18,444	463,094	742,455	-	742,455
11020 Required Annual Debt Principal Payments	412,424	-	-	-	-	-	-	412,424	-	412,424
11030 Beginning Equity	13,160,083	-	329,287	11,145	971,544	1,133,090	-88,729	15,516,420	-	15,516,420
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-509,378	-	-467,872	-9,097	-100,057	-12,376	-140,154	-1,238,934	-	-1,238,934
11170 Administrative Fee Equity	-	-	-158,830	-	-	-	-	-158,830	-	-158,830
11180 Housing Assistance Payments Equity	-	-	41,093	-	-	-	-	41,093	-	41,093
11190 Unit Months Available	8,016	-	8,016	-	1,200	312	-	17,544	-	17,544
11210 Number of Unit Months Leased	7,034	-	7,370	-	1,138	303	-	15,845	-	15,845

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR/ *Pass-Through Grantor/* Program/Title	**Federal CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Awards:		
Public and Indian Housing Program	14.850	$ 3,234,893
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	3,387,156
Total Housing Voucher Cluster		3,387,156
Public Housing Capital Fund	14.872	1,255,646
Section 8 Project Based Program Cluster:		
Section 8 New Construction and Substantial Rehabilitation	14.182	521,623
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	108,124
Total Section 8 Project Based Program Cluster		629,747
Total Direct Programs		8,507,442
Total U.S. Department of Housing and Urban Development		8,507,442
Total Expenditures of Federal Awards		$ 8,507,442

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Jefferson Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2018. 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 Jefferson Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Jefferson 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**

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

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

Board of Directors
Jefferson Metropolitan Housing
Steubenville, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 14, 2019, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and also adjusted net position to properly state a balance owed to HUD.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James G. Zupka, CPA, 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=jgz@jgzcpa.com, c=US
Date: 2019.07.15 15:55:29 -04'00'

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

June 14, 2019

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

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

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

Board of Directors
Jefferson Metropolitan Housing Authority
Steubenville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Jefferson Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Jefferson Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2018. The Jefferson Metropolitan Housing Authority, Ohio's major federal programs are 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 each of the Jefferson Metropolitan Housing Authority, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Jefferson Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

James G. Zupka, CPA, 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=jgz@jgzcpa.com, c=US
Date: 2019.07.15 15:56:23 -04'00'

James G. Zupka CPA, Inc.
Certified Public Accountants

June 14, 2019

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weakness conditions reported at the fiancial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2018(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2018(v)	Type of Major Programs' Compliance Opinion	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list): Public and Indian Housing Program CFDA #14.850 Public Housing Capital Fund Program CFDA #14.872	
2018(viii)	Dollar Threshold: Type A\B Programs	Type A: $750,000 Type B: All Others
2018(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.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
JEFFERSON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

The audit report for the fiscal year ending December 31, 2017, did not include any findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE
KEITH FABER

JEFFERSON COUNTY METROPOLITAN HOUSING AUTHORITY

JEFFERSON 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
SEPTEMBER 19, 2019