

**PIKE METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

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



Dave Yost • Auditor of State

Board of Directors
Pike Metropolitan Housing Authority
2626 Shyville Road
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Pike Metropolitan Housing Authority, Pike County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 30, 2017

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**PIKE METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2016**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	13
Notes to the Basic Financial Statements	13-32
Required Supplementary Information:	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	33
Schedule of the Authority's Contributions	34
Financial Data Schedules:	
Entity Wide Balance Sheet Summary	35
Entity Wide Revenue and Expense Summary	36
Schedule of Expenditures of Federal Awards	37
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	40-41
Schedule of Findings and Questioned Costs	42
Status of Prior Citations and Recommendations	43

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Pike Metropolitan Housing Authority
Piketon, 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 Pike Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pike Metropolitan Housing Authority, Ohio, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pike Metropolitan Housing Authority's basic financial statements. 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 also not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and 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 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 May 18, 2017, on our consideration of the Pike Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pike Metropolitan Housing Authority's internal control over financial reporting and compliance.



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

May 18, 2017

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

This Management’s Discussion and Analysis (MD&A) for the Pike Metropolitan Housing Authority (Pike MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Pike Metropolitan Housing Authority’s financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2016, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Financial Highlights

- The Authority’s net position decreased by \$296,552 during 2016, resulting from changes in operations. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net position.
- Revenues increased by \$63,515 during 2016.
- The total expenses of all Authority programs increased by \$128,774.

Overview of the Authority’s Financial Statements

The Basic Financial Statements included elsewhere in this report are:

The Statement of Net Position,
The Statement of Revenues, Expenses and Changes in Net Position, and
The Statement of Cash Flows.

The Statement of Net Position is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Pike Metropolitan Housing Authority holds at December 31, 2016, that is, the cash Pike Metropolitan Housing Authority has, the amounts that are owed Pike Metropolitan Housing Authority from others, the value of the equipment and other capital assets Pike Metropolitan Housing Authority owns, and deferred outflow of resources. In the other half of the report it shows the liabilities Pike Metropolitan Housing Authority has, that is what Pike Metropolitan Housing Authority owes others at December 31, 2016; what Net Position (or what is commonly referred to as Equity) Pike Metropolitan Housing Authority has at December 31, 2016, and deferred inflows of resources. The two parts of the report are in balance, thus why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus net position (or equity) part.

In the statement, the Net Position part is broken out into three broad categories:

Net Investment in Capital Assets
Restricted Net Position, and
Unrestricted Net Position.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

The balance in Net Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owned on those assets.

The balance in Restricted Net Position reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when use of those assets is restricted by constraints placed on the assets by creditors.

The balance in Unrestricted Net Position is what is left over of Net Position after what is classified in the two previously mentioned components of Net Position. It reflects the value of assets available to Pike Metropolitan Housing to use to further its purposes.

The Authority’s financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an Income Statement. It is in essence a report showing what Pike Metropolitan Housing Authority earned, that is what its revenues or incomes were, versus what expenses Pike Metropolitan Housing Authority had over the same period. It shows how the Fund Balance (or net position or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Pike Metropolitan Housing Authority had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the Fund Balance (or net position or equity). The bottom line of the report, the Ending Total Net Position, is what is referred to in the above discussion of the Statement of Net Position that when added to the liabilities and deferred inflows Pike Metropolitan Housing Authority has equals the total assets and deferred outflows Pike Metropolitan Housing Authority has.

The Statement of Cash Flows is a report that shows how the amount of cash Pike Metropolitan Housing Authority had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in, and the cash going out. It helps the reader to understand the sources and uses of cash by Pike Metropolitan Housing Authority during the year, to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

Pike Metropolitan Housing Authority’s Business-Type Funds

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business -type funds of Pike Metropolitan Housing Authority. Pike Metropolitan Housing Authority consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Pike Metropolitan Housing Authority’s programs include the following:

- The Low Rent Public Housing program,
- The Housing Choice Voucher program,
- The Capital Fund Program (CFP),
- The Business Activities, and
- The State and Local Program.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

Under the Low Rent Public Housing program, Pike Metropolitan Housing Authority rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with HUD, HUD provides an operating subsidy to Pike Metropolitan Housing Authority to help support the operations of the program. In addition, HUD provides funds for physical improvements to Pike Metropolitan Housing Authority's properties and funds for management improvements through Capital Fund Program grants.

Under the Section 8 Housing Choice Voucher program, Pike Metropolitan Housing Authority subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

Under the Business Activities program, Pike Metropolitan Housing Authority owns several rental properties. These properties are not related to the HUD funded activities, and that is why it is reported as a business activity.

Under the State and Local program, the state and local funds represent Pike Metropolitan Authority's contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 193, 195, 197 and 199 Delay Drive.

Condensed Financial Statements

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

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

	2016	2015
Assets		
Current and Other Assets	\$ 695,836	\$ 462,723
Capital Assets	5,843,586	5,773,139
Total Assets	<u>6,539,422</u>	<u>6,235,862</u>
Deferred Outflow of Resources	270,843	80,481
Total Assets and Deferred Outflow of Resources	<u>\$ 6,810,265</u>	<u>\$ 6,316,343</u>
Liabilities		
Current Liabilities	\$ 315,761	\$ 277,344
Long-term Liabilities	4,005,184	3,452,097
Total Liabilities	<u>4,320,945</u>	<u>3,729,441</u>
Deferred Inflow of Resources	206,670	7,700
Net Position		
Net Investment in Capital Assets	2,384,715	2,647,003
Restricted Net Position	143,986	135,485
Unrestricted Net Position	(246,051)	(203,286)
Total Net Position	<u>2,282,650</u>	<u>2,579,202</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 6,810,265</u>	<u>\$ 6,316,343</u>

For more detail information, see Statement of Net Position presented on page 11.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

The Net Position was decreased from the prior year-end by \$296,552. The changes in income and expense from the period causing that change is discussed more in the next section where we discuss Table 2, the Modified Statement of Revenues, Expenses and Changes in Net Position.

Current assets increased by about \$233,000. The primary cause for that increase was HUD provided January 2017 funding of \$216,600 for the Housing Choice voucher program late in December 2016.

Other notable increases were to deferred outflow of resources, deferred inflow of resources and net pension liability, which is a part of long-term liabilities reported. The increase in deferred inflow of resources corresponds to the increase in current assets. The majority of the HUD advance for January 2017 is reported as deferred inflow of resources. Changes in deferred outflow of resources and net pension liability are due to GASB 68 reporting. Last year the Agency implemented GASB 68 which essentially requires the Authority to report what is calculated to be its share of the unfunded pension liability of the Public Employees Retirement System (PERS). Under state law Authority employees are required to belong to the retirement system and Pike MHA is required to make retirement contributions to the retirement system on behalf of its employees. However, unlike other liabilities reported by Pike MHA, the Net Pension Liability does not represent a bill to be paid if operations were to cease today. The concept behind the accounting standard is to indicate the extent to which employers like Pike MHA would have to be called upon to increase contributions to PERS if PERS is going to resolve its unfunded pension liability situation. So changes in the GASB 68 balances do not reflect results of operations at Pike MHA from the period.

The following is a modified Statement of Revenues, Expenses and Changes in Net Position. Pike Metropolitan Housing Authority is engaged only in business-type activities.

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

	2016	2015
<u>Revenues</u>		
Total Tenant Revenues - Rents and Other	\$ 440,449	\$ 401,248
Operating Subsidies and Grants	3,046,862	3,090,912
Capital Grants	3,887	9,428
Investment Income	81	77
Other Revenues	197,923	124,022
Total Revenues	3,689,202	3,625,687
<u>Expenses</u>		
Administrative	617,941	544,260
Utilities	120,919	115,272
Maintenance	420,015	413,273
General Expenses	117,553	119,691
Housing Assistance Payments	2,275,933	2,219,626
Depreciation	433,393	444,858
Total Expenses	3,985,754	3,856,980
Net Increases (Decreases)	\$ (296,552)	\$ (231,293)
Prior Period Adjustment	\$ 0	\$ (377,145)

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

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

Changes to revenues were primarily in other revenues which increased \$73,901. The increase was mainly in the Business Activity Program and related to developer fees earned by Pike Metropolitan Housing Authority facilitating the development of housing units unrelated to HUD subsidized programs.

Expenses overall increased in 2016 by \$128,774. Notable increases were to administrative expense and HAP expense. The increase in administrative expense reflects increases in the cost of providing group health benefits to agency employees and the effect the changes in the GASB 68 balances referred to in the previous section had on the Income Statement. The increase in HAP expense reflects an increase in lease up in the program over the previous period, the result of management's efforts to assist as many families as possible utilizing funds available from HUD.

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

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 3 - Condensed Statement of Changes in Capital Assets

	2016	2015
Land & Land Rights	\$ 1,134,836	\$ 1,134,836
Buildings and Improvements	11,097,405	11,091,454
Equipment	227,784	238,265
Accumulated Depreciation	(7,299,502)	(6,876,588)
Construction in Progress	683,063	185,172
Total Capital Assets, Net	\$ 5,843,586	\$ 5,773,139

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**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

Excluding the change in accumulated depreciation, capital assets increased by \$493,361. Most of the increase was due to building improvements to the Business Activities program related to the development of housing units unrelated to HUD subsidized programs.

The following is a comparison of debt outstanding at the year-end versus at the end of the prior period.

Table 4 - Condensed Statement of Changes in Debt Outstanding

	2016	2015
Current Portion of Debt	\$ 173,139	\$ 168,103
Long-Term Portion of Debt	3,285,732	2,958,033
Total	<u>\$ 3,458,871</u>	<u>\$ 3,126,136</u>

Debt was increased by \$332,735 during year-end 2016. This was due to increased debt under the Business Activities program and the new units being developed by the Agency.

Economic Factors

Pike Metropolitan Housing Authority faces the continuing prospect of declining HUD subsidies used to administer their programs and maintain their properties. Unfavorable economic times, as reflected in the numbers of families earning less in addition to those leaving the community because they cannot find adequate employment opportunities, also mean revenues from tenants are reduced because generally rents are based on the tenant families’ ability to pay as dictated by the Federal government. Rising insurance, utility and other operating rates compound the effect of the reduction in incomes available to Pike Metropolitan Housing Authority to administer its program, and continue to challenge management to cut operating costs. The reduction in government assistance for the administration of programs and ongoing operating cuts by management means Pike Metropolitan Housing Authority can provide lesser services to clients.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Ken Reed, Executive Director of the Pike Metropolitan Housing Authority, 2626 Shyville Road, Piketon, Ohio 45661.

PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 245,944
Restricted Cash and Cash Equivalents	378,704
Receivables, Net	6,765
Inventory, Net	19,153
Prepaid Expenses	45,270
Total Current Assets	<u>695,836</u>

Noncurrent Assets

Non-depreciable Capital Assets	1,817,899
Depreciable Capital Assets, Net	4,025,687
Total Noncurrent Assets	<u>5,843,586</u>

TOTAL ASSETS

6,539,422

Deferred Outflows of Resources

270,843

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 6,810,265

LIABILITIES

Current Liabilities

Accounts Payable	\$ 18,174
Accrued Compensated Absences - Current	30,617
Tenant Security Deposits	40,843
Accrued Wages and Payroll Taxes	21,346
Intergovernmental Payable	8,683
Current Portion of Long-Term Debt	173,139
Unearned Revenue	22,734
Other Current Liabilities	225
Total Current Liabilities	<u>315,761</u>

Noncurrent Liabilities

Accrued Compensated Absences - Net of Current Portion	57,261
Long-Term Debt - Net of Current Portion	3,285,732
Net Pension Liability	662,191
Total Noncurrent Liabilities	<u>4,005,184</u>
Total Liabilities	<u>4,320,945</u>

DEFERRED INFLOWS OF RESOURCES

Housing Assistance Payments	193,875
Pension	12,795
Total Deferred Inflows of Resources	<u>206,670</u>

NET POSITION

Net Investment in Capital Assets	2,384,715
Restricted Net Position	143,986
Unrestricted Net Position	<u>(246,051)</u>

Total Net Position

2,282,650

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**

\$ 6,810,265

See accompanying notes to the basic financial statements.

PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Operating Revenues</u>	
Government Grants	\$ 3,046,862
Tenant Revenue	440,449
Other Revenue	<u>197,423</u>
Total Operating Revenues	<u>3,684,734</u>
<u>Operating Expenses</u>	
Administrative	617,941
Utilities	120,919
Maintenance	420,015
General	54,534
Housing Assistance Payments	<u>2,275,933</u>
Total Operating Expenses Before Depreciation	<u>3,489,342</u>
Income (Loss) Before Depreciation	195,392
Depreciation	<u>433,393</u>
Operating Income (Loss)	<u>(238,001)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	81
Interest Expense	(63,019)
Gain on Disposition	<u>500</u>
Total Non-Operating Revenues (Expenses)	<u>(62,438)</u>
Income (Loss) Before Capital Grants	(300,439)
Capital Grants	<u>3,887</u>
Change in Net Position	<u>(296,552)</u>
Total Net Position, Beginning of Year	<u>2,579,202</u>
Net Position, End of Year	<u>\$ 2,282,650</u>

See accompanying notes to the basic financial statements.

PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Cash Flows from Operating Activities</u>	
Cash Received from Government Grants	\$ 3,263,471
Cash Received From Tenants	447,877
Cash Payments for Housing Assistance	(2,275,933)
Cash Payments for Administrative Expenses	(576,062)
Cash Payments for Other Operating Expenses	(592,750)
Cash Received - Other	196,710
Net Cash (Provided) by Operating Activities	<u>463,313</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(503,840)
Disposition of Capital Assets	500
Capital Grants Received	3,887
Debt Principal and Interest	(218,065)
Debt Proceeds	487,781
Net Cash Provided by Capital and Other Related Financing Activities	<u>(229,737)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	81
Net Cash Provided by Investing Activities	<u>81</u>
Net Increase (Decrease) in Cash and Cash Equivalents	233,657
Cash and Cash Equivalents, Beginning	<u>390,991</u>
 Cash and Cash Equivalents, Ending	 <u>\$ 624,648</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (238,001)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	433,393
(Increase) Decrease in:	
Accounts Receivable - Tenant	2,526
Prepaid Expenses	(237)
Inventory	2,394
Other Receivables	(4,139)
Deferred Outflows of Resources	(190,362)
Increase (Decrease) in:	
Accounts Payable	5,685
Intergovernmental Payable	2,786
Accrued Compensated Absences - Current	1
Tenants' Security Deposits	4,189
Accrued Wages and Payroll Taxes	1,757
Unearned Revenue	22,734
Other Current Liabilities	(3,771)
Accrued Compensated Absences - Long-Term	1,497
Net Pension Liability	223,891
Deferred Inflows of Resources	198,970
Net Cash Used by Operating Activities	<u>\$ 463,313</u>

See accompanying notes to the basic financial statements.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Organization and Reporting Entity

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

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

Basis of Presentation

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

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

Basis of Presentation (Continued)

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

Enterprise fund reporting focuses on the determination of the 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.

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building Improvements	15-27.5 years
Land Improvements	15 years
Equipment	7 years
Autos	5 years
Computers	5 years

Capitalization of Interest

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

Investments

Investments are stated at fair value. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments, if applicable.

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. Information regarding compensated absences is detailed in Note 8.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

Pensions

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and this year advances from HUD for the Housing Choice Voucher Program late in December 2016 for the subsequent fiscal periods. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 6)

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**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2016, the Authority had undeposited cash on hand (petty cash) of \$150.

At December 31, 2016, the carrying amount of the Authority's cash deposits was \$624,498 and the bank balance was \$637,598. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2016, deposits totaling \$282,677 were covered by Federal Depository Insurance and deposits totaling \$354,921 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

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

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2016, the Authority had no investments.

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PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

Interest Rate Risk

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

Credit Risk

The Authority has no investments at December 31, 2016 and therefore is not subject to credit risk.

Custodial Credit Risk

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

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one institution. The Authority's deposits in financial institutions represents 100 percent of its deposits.

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$378,704 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 201,913
Tenant Security Deposits	40,843
Insurance and Escrow Emmitt Station	15,399
Reserve for Replacement - Emmitt Station	<u>120,549</u>
Total Restricted Cash	<u>\$ 378,704</u>

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2016 by class is as follows:

	Balance 01/01/2016	Reclasses/ Adjustments	Additions	Deletions	Balance 12/31/2016
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,134,836	\$ 0	\$ 0	\$ 0	\$ 1,134,836
Construction in Progress	185,172	0	497,891	0	683,063
Total Capital Assets Not Being Depreciated	<u>1,320,008</u>	<u>0</u>	<u>497,891</u>	<u>0</u>	<u>1,817,899</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	11,091,454	2	5,949	0	11,097,405
Furniture, Equipment, and Machinery	238,265	(2)	0	(10,479)	227,784
Subtotal Capital Assets Being Depreciated	<u>11,329,719</u>	<u>0</u>	<u>5,949</u>	<u>(10,479)</u>	<u>11,325,189</u>
<u>Accumulated Depreciation</u>					
Buildings & Improvements	(6,649,611)	0	(425,157)	0	(7,074,768)
Furniture & Equipment	(226,977)	0	(8,236)	10,479	(224,734)
Total Accumulated Depreciation	<u>(6,876,588)</u>	<u>0</u>	<u>(433,393)</u>	<u>10,479</u>	<u>(7,299,502)</u>
Capital Assets Being Depreciated, Net	<u>4,453,131</u>	<u>0</u>	<u>(427,444)</u>	<u>0</u>	<u>4,025,687</u>
Total Capital Assets ,Net	<u>\$ 5,773,139</u>	<u>\$ 0</u>	<u>\$ 70,447</u>	<u>\$ 0</u>	<u>\$ 5,843,586</u>

NOTE 5: RESTRICTED NET POSITION

The Authority's restricted net position are as follows:

Section 8 Housing Choice Voucher funds provided for Housing Assistance Payments in excess of the amounts used	\$ 8,038
Reserve for Replacement - Emmitt Station	120,549
Insurance and Escrow - Emmitt Station	15,399
Total	<u>\$ 143,986</u>

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PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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 *intergovernmental payable* on the accrual basis of accounting.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description - Ohio Public Employers Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees 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	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was \$61,161 for 2016.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

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

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

Proportionate Share of the Net Pension Liability	
- Prior Measurement Date	\$ 438,300
Proportionate Share of the Net Pension Liability	
- Current Measurement Date	<u>662,191</u>
Change in Proportionate Share	<u>\$ 223,891</u>
Proportion of the Net Pension Liability/Asset	0.003823%
Pension Expense	\$ 93,004

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 194,642
Changes in proportion and differences between Authority contributions and proportionate share of contributions	15,040
Authority contributions subsequent to the measurement date	<u>61,161</u>
Total Deferred Outflows of Resources	<u>\$ 270,843</u>

Deferred Inflows of Resources

Differences between expected and actual experience	<u>\$ 12,795</u>
Total Deferred Inflows of Resources	<u>\$ 12,795</u>

\$61,161 reported as deferred outflows of resources related to pension resulting from 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

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

Year Ending December 31:	<u>OPERS</u>
2017	\$ 49,511
2018	52,625
2019	50,705
2020	44,047
Total	<u>\$ 196,888</u>

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

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 8.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

Actuarial Assumptions - OPERS (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

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

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected 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 four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

Actuarial Assumptions - OPERS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving the 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 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

Discount Rate: The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all period of projected payments to determine the total pension liability.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Authority's proportionate share of the net pension liability	\$ 1,055,033	\$ 662,191	\$ 330,842

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which fund multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their bested RMA balance.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

A. **Plan Description** (Continued)

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

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

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary payroll of active members. In 2016, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of earnable salary for state and local employers. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 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 to the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent. The portion of actual Authority contributions for the year ended December 31, 2016, 2015, and 2014, which were used by OPERS to fund post-employment benefits were \$10,193, \$9,568, and \$9,837, respectively.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 8: COMPENSATED ABSENCES

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

All permanent employees will earn 15 days sick leave per year of service. Unused sick leave may be accumulated without limit. At the time of separation, employees receive payment for up to sixty (60) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Vacation shall not be accrued for a period longer than two (2) years. Any vacation accrued in excess of two (2) years shall be forfeited.

At December 31, 2016, based on the vesting method, \$87,878 was accrued by the Authority for unused vacation and sick time. The current portion is \$30,617 and the long term portion is \$57,261.

NOTE 9: INSURANCE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Pike is one. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$29,531,600 (Per Occurrence)
Boiler and Machinery	1,000	100,000,000
General Liability	0	6,000,000
Automobile Liability	500/0	ACV/6,000,000
Law Enforcement	0	6,000,000
Public Officials	0	6,000,000
Crime	500	1,000,000

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with Aetna Health, Inc. for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 10: LONG-TERM DEBT

Change in Long-Term Liabilities:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Current Portion
Compensated Absences	\$ 86,380	\$ 61,986	\$ (60,488)	\$ 87,878	\$ 30,617
Long-Term Debt	3,126,136	487,781	(155,046)	3,458,871	173,139
Net Pension Liability	438,300	223,891	0	662,191	0
Total	\$ 3,650,816	\$ 773,658	\$ (215,534)	\$ 4,208,940	\$ 203,756

The Long-Term debt is detailed below:

	Original Loan Amount	Range of Maturity Date	Interest Rate	Life of Loan	12/31/16 Balance	Due Within One Year
Fifth Third Bank:						
- Loan No. 00067	\$ 120,000	2002-2022	5.45%	20 Yrs.	\$ 48,474	\$ 7,407
- Loan No. 00158	\$ 38,000	2008-2018	5.12%	10 Yrs.	20,687	2,623
- Loan No. 00125	\$ 38,000	2008-2018	5.12%	10 Yrs.	19,344	2,694
Ohio Valley Bank:						
- 412 Market St.	\$ 41,140	2005-2024	6.25%	20 Yrs.	22,401	2,273
- 236 St. Mary's	\$ 55,009	2005-2025	7.25%	20 Yrs.	33,226	2,932
- 83 Circleview	\$ 50,000	2010-2025	5.75%	15 Yrs.	33,769	3,112
- 228 St. Mary's	\$ 46,206	2012-2027	5.63%	15 Yrs.	35,963	2,788
- Loan No. 069391	\$ 530,000	2014-2024	5.00%	10 Yrs.	421,144	47,543
- Loan No. 71447	\$ 35,610	2014-2030	4.38%	15 Yrs.	297,620	12,927
Ohio Capital Financial Corporation						
- Shyville Senior	\$ 153,000	2016-2018	Varies	2 Yrs	153,000	0
US Department of Agriculture:						
- Emmitt Station	\$ 1,146,858	2005-2036	5.375%	30 Yrs.	1,077,407	8,492
- Emmitt Station	\$ 350,000	2006-2036	5.375%	30 Yrs.	332,697	2,430
County MR/DD:						
- 212 St. Ann's Lane	\$ 4,560	2009-2024	0.00%	15 Yrs.	2,280	304
- 107 Commercial	\$ 3,285	2004-2019	0.00%	15 Yrs.	456	219
- 102 Sunrise	\$ 45,000	2002-2017	0.00%	15 Yrs.	750	750
- 102 Sunrise	\$ 3,961	2009-2024	0.00%	15 Yrs.	1,981	264
- 102 Sunrise	\$ 20,832	2009-2024	0.00%	15 Yrs.	10,647	1,389
- 599 Walnut	\$ 45,000	2002-2017	0.00%	15 Yrs.	1,750	1,750
- 412 Market	\$ 48,600	2005-2020	0.00%	15 Yrs.	11,880	3,240
- 510 Rose Drive	\$ 91,612	2008-2023	0.00%	15 Yrs.	37,662	6,108
- 221 St. Ann's Lane	\$ 8,911	2009-2024	0.00%	15 Yrs.	4,505	594
- 221 St. Ann's Lane	\$ 2,388	2003-2018	0.00%	15 Yrs.	292	159
- 83 Circleview	\$ 118,889	2010-2025	0.00%	15 Yrs.	68,691	7,926
- 83 Circleview	\$ 14,997	2010-2025	0.00%	15 Yrs.	8,665	1,000
- 107 Commercial	\$ 34,727	2012-2027	0.00%	15 Yrs.	25,081	2,315
- 514 Carroll	\$ 72,750	2012-2027	0.00%	15 Yrs.	51,329	4,850
- 337 Arlington	\$ 27,300	2013-2028	0.00%	15 Yrs.	20,627	1,820
- 421 Market	\$ 96,400	2013-2028	0.00%	15 Yrs.	70,157	6,427
- 510 Rose Drive	\$ 20,950	2013-2028	0.00%	15 Yrs.	15,364	1,396
- 514 Carroll	\$ 25,950	2013-2028	0.00%	15 Yrs.	19,607	1,730
- 514 Carroll	\$ 25,450	2013-2028	0.00%	15 Yrs.	19,229	1,697
- 514 Carroll	\$ 10,000	2015-2030	0.00%	15 Yrs.	8,944	667
- 514 Carroll	\$ 20,000	2015-2030	0.00%	15 Yrs.	17,889	1,333
- 228 St. Mary's	\$ 9,918	2012-2027	0.00%	15 Yrs.	7,108	661
County NSP:						
- 214 Grandview	\$ 204,751	2010-2029	0.00%	20 Yrs.	143,326	10,238
- 146 Valleyview	\$ 103,270	2012-2027	0.00%	20 Yrs.	77,453	5,164
Gallia-Meigs NSP:						
- 603 Church	\$ 185,000	2011-2030	0.00%	20 Yrs.	138,750	9,250
OHIO DMHAS						
	\$ 200,000	2016-2046	0.00%	30 Yrs.	198,716	6,667
Total Debt					\$ 3,458,871	\$ 173,139

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 10: **LONG-TERM DEBT** (Continued)

The following is a summary of the Authority's future debt service requirements for debt payable as of December 31, 2016:

<u>For the Year</u> <u>Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2017	\$ 173,139	\$ 69,370	\$ 242,509
2018	357,610	75,749	433,359
2019	174,391	57,987	232,378
2020	178,293	52,986	231,279
2021	181,546	47,573	229,119
2022-2026	707,349	164,750	872,099
2027-2031	421,367	103,238	524,605
2032-2036	1,198,510	54,338	1,252,848
2037-2041	33,333	0	33,333
2042-2046	33,333	0	33,333
Totals	<u>\$ 3,458,871</u>	<u>\$ 625,991</u>	<u>\$ 4,084,862</u>

NOTE 11: **CONDUIT DEBT**

In February 2016, the Authority entered into a Housing Development Assistance Program (HDAP) Funding Agreement with the Ohio Housing Finance Agency (OHFA) and Waverly Manor Apartments, LLC (the owner). Under the agreement OHFA agreed to make a HDAP loan from the Low-and Moderate-Income Housing Trust Fund to Pike MHA in the amount of \$350,000 to facilitate the acquisition and rehabilitation of Waverly Manor (the project), a 33 unit family rental development in the Village of Waverly, Pike County, in conjunction with an award of Low Income Housing Tax Credits to the project. Pursuant to the HDAP loan agreement, Pike MHA entered into a Cognovit Promissory Note with the owner in the same amount to convey the funding to facilitate the development of the project. Repayment of any amounts by the owner are subject to cash flows realized by the project, and any such payments are to be made directly to OHFA. Pike MHA is only obligated to repay the HDAP loan to the extent that the project is obligated to make payments on its Cognovit Promissory Note with the Authority. Accordingly the debt is not reported as a liability and the note receivable is not reported as an asset in the accompanying financial statements.

NOTE 12: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2016.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 13: OPERATING TRANSFER

The Authority had the following operating transfers in 2016:

	<u>Transfer From</u>	<u>Transfer To</u>
Capital Fund	\$ 11,484	\$ 0
Public Housing	0	11,484
Total	<u>\$ 11,484</u>	<u>\$ 11,484</u>

This transfer represents the Capital Fund Grant allocation to support operations as permitted by the Department of Housing and Urban Development regulations.

NOTE 14: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 15: NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal award programs. The Schedule has been prepared on the accrual basis of accounting. The Authority did not use the de-minimus rate of 10 percent for indirect costs charged to Federal Programs.

**PIKE METROPOLITAN HOUSING AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PLAN
 LAST THREE FISCAL YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.003823%	0.003634%	0.003634%
Authority's Proportionate Share of the Net Pension Liability	\$662,191	\$438,300	\$428,401
Authority's Covered-Employee Payroll	\$475,792	\$445,575	\$434,326
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	139.18%	98.37%	98.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

**PIKE METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM TRADITIONAL PLAN
LAST FOUR FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 61,161	\$57,095	\$53,469	\$56,465
Contributions in Relation to the Contractually Required Contribution	<u>(61,161)</u>	<u>(57,095)</u>	<u>(53,469)</u>	<u>(56,465)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority's Covered-Employee Payroll	\$509,675	\$475,792	\$445,575	\$434,346
Pension Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) – Information prior to 2013 is not available.

PIKE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2016

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	61,664	90,478		1,501	92,301	245,944		245,944
113 Cash - Other Restricted		201,913			135,948	337,861		337,861
114 Cash - Tenant Security Deposits	17,846			887	22,110	40,843		40,843
100 Total Cash	79,510	292,391	-	2,388	250,359	624,648	-	624,648
126 Accounts Receivable - Tenants	1,055			975	1,571	3,601		3,601
126.1 Allowance for Doubtful Accounts -Tenants	-1,050				-75	-1,125		-1,125
127 Notes, Loans, & Mortgages Receivable - Current	4,289					4,289		4,289
120 Total Receivables, Net of Allowances for Doubtful Accounts	4,294	-	-	975	1,496	6,765	-	6,765
142 Prepaid Expenses and Other Assets	19,544	2,837		1,308	21,581	45,270		45,270
143 Inventories	19,418					19,418		19,418
143.1 Allowance for Obsolete Inventories	-265					-265		-265
150 Total Current Assets	122,501	295,228	-	4,671	273,436	695,836	-	695,836
161 Land	615,223			37,500	482,113	1,134,836		1,134,836
162 Buildings	5,918,348			279,540	3,771,690	9,969,578		9,969,578
163 Furniture, Equipment & Machinery - Dwellings	60,860				7,495	68,355		68,355
164 Furniture, Equipment & Machinery - Administration	103,812	13,789			41,828	159,429		159,429
165 Leasehold Improvements				18,022	1,109,805	1,127,827		1,127,827
166 Accumulated Depreciation	-4,981,947	-13,789		-136,985	-2,166,781	-7,299,502		-7,299,502
167 Construction in Progress	7,616				675,447	683,063		683,063
160 Total Capital Assets, Net of Accumulated Depreciation	1,723,912	-	-	198,077	3,921,597	5,843,586	-	5,843,586
180 Total Non-Current Assets	1,723,912	-	-	198,077	3,921,597	5,843,586	-	5,843,586
200 Deferred Outflow of Resources	170,631	100,212				270,843		270,843
290 Total Assets and Deferred Outflow of Resources	2,017,044	395,440	-	202,748	4,195,033	6,810,265	-	6,810,265
312 Accounts Payable <= 90 Days	789	1,550			15,835	18,174		18,174
321 Accrued Wage/Payroll Taxes Payable	13,446	7,900				21,346		21,346
322 Accrued Compensated Absences - Current Portion	20,040	10,577				30,617		30,617
333 Accounts Payable - Other Government	6,264				2,419	8,683		8,683
341 Tenant Security Deposits	17,846			887	22,110	40,843		40,843
342 Unearned Revenue		22,734				22,734		22,734
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				12,137	161,002	173,139		173,139
346 Accrued Liabilities - Other	225					225		225
310 Total Current Liabilities	58,610	42,761	-	13,024	201,366	315,761	-	315,761
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				95,934	3,189,798	3,285,732		3,285,732
354 Accrued Compensated Absences - Non Current	44,739	12,522				57,261		57,261
357 Accrued Pension and OPEB Liabilities	417,180	245,011				662,191		662,191
350 Total Non-Current Liabilities	461,919	257,533	-	95,934	3,189,798	4,005,184	-	4,005,184
300 Total Liabilities	520,529	300,294	-	108,958	3,391,164	4,320,945	-	4,320,945
400 Deferred Inflow of Resources	8,061	198,609				206,670		206,670
508.4 Net Investment in Capital Assets	1,723,912			90,006	570,797	2,384,715		2,384,715
511.4 Restricted Net Position		8,038			135,948	143,986		143,986
512.4 Unrestricted Net Position	-235,458	-111,501		3,784	97,124	-246,051		-246,051
513 Total Equity - Net Assets / Position	1,488,454	-103,463	-	93,790	803,869	2,282,650	-	2,282,650
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	2,017,044	395,440	-	202,748	4,195,033	6,810,265	-	6,810,265

PIKE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	112,739			24,059	297,981	434,779		434,779
70400 Tenant Revenue - Other	4,103			97	1,470	5,670		5,670
70500 Total Tenant Revenue	116,842	-	-	24,156	299,451	440,449	-	440,449
70600 HUD PHA Operating Grants	332,655	2,566,175				2,898,830		2,898,830
70610 Capital Grants	3,887					3,887		3,887
70800 Other Government Grants			109,749		38,283	148,032		148,032
71100 Investment Income - Unrestricted	7	5				12		12
71400 Fraud Recovery		713				713		713
71500 Other Revenue	16,056	4,782		97	175,775	196,710		196,710
71600 Gain or Loss on Sale of Capital Assets	500					500		500
72000 Investment Income - Restricted		1			68	69		69
70000 Total Revenue	469,947	2,571,676	109,749	24,253	513,577	3,689,202	-	3,689,202
91100 Administrative Salaries	129,181	156,954		174	22,798	309,107		309,107
91200 Auditing Fees	2,800	3,000		584	6,000	12,384		12,384
91500 Employee Benefit contributions - Administrative	72,446	107,006		33	11,343	190,828		190,828
91600 Office Expenses	40,151	31,091			33,636	104,878		104,878
91700 Legal Expense				744		744		744
91000 Total Operating - Administrative	244,578	298,051	-	1,535	73,777	617,941	-	617,941
92400 Tenant Services - Other	138					138		138
92500 Total Tenant Services	138	-	-	-	-	138	-	138
93100 Water	37,028			1,385	37,497	75,910		75,910
93200 Electricity	10,663			112	29,822	40,597		40,597
93300 Gas	2,408				2,004	4,412		4,412
93000 Total Utilities	50,099	-	-	1,497	69,323	120,919	-	120,919
94100 Ordinary Maintenance and Operations - Labor	92,470			1,189	107,405	201,064		201,064
94200 Ordinary Maintenance and Operations - Materials and Other	15,218			661	43,917	59,796		59,796
94300 Ordinary Maintenance and Operations Contracts	16,121			619	10,649	27,389		27,389
94500 Employee Benefit Contributions - Ordinary Maintenance	70,460			354	60,952	131,766		131,766
94000 Total Maintenance	194,269	-	-	2,823	222,923	420,015	-	420,015
96110 Property Insurance	1,500			771	34,873	37,144		37,144
96100 Total insurance Premiums	1,500	-	-	771	34,873	37,144	-	37,144
96300 Payments in Lieu of Taxes	6,264				2,419	8,683		8,683
96400 Bad debt - Tenant Rents	6,793				1,776	8,569		8,569
96000 Total Other General Expenses	13,057	-	-	-	4,195	17,252	-	17,252
96710 Interest of Mortgage (or Bonds) Payable				5,798	57,221	63,019		63,019
96700 Total Interest Expense and Amortization Cost	-	-	-	5,798	57,221	63,019	-	63,019
96900 Total Operating Expenses	503,641	298,051	-	12,424	462,312	1,276,428	-	1,276,428
97000 Excess of Operating Revenue over Operating Expenses	-33,694	2,273,625	109,749	11,829	51,265	2,412,774	-	2,412,774
97300 Housing Assistance Payments		2,271,781				2,271,781		2,271,781
97350 HAP Portability-In		4,152				4,152		4,152
97400 Depreciation Expense	207,464	1,334		11,366	213,229	433,393		433,393
90000 Total Expenses	711,105	2,575,318	-	23,790	675,541	3,985,754	-	3,985,754
10010 Operating Transfer In	11,484				109,749	121,233	-121,233	-
10020 Operating transfer Out	-11,484		-109,749			-121,233	121,233	-
10100 Total Other financing Sources (Uses)	-	-	-109,749	-	109,749	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-241,158	-3,642	-	463	-52,215	-296,552	-	-296,552
11020 Required Annual Debt Principal Payments				11,530	131,783	143,313		143,313
11030 Beginning Equity	1,729,612	-99,821		93,327	856,084	2,579,202		2,579,202
11170 Administrative Fee Equity		-111,501				-111,501		-111,501
11180 Housing Assistance Payments Equity		8,038				8,038		8,038
11190 Unit Months Available	1,152	6,500		48	876	8,576		8,576
11210 Number of Unit Months Leased	1,128	6,213		48	860	8,249		8,249

**PIKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Loan Balance
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs:</i>			
<u>Public Housing Programs</u>			
Low Rent Public Housing Program	14.850	\$ 321,171	\$ 0
Capital Fund Program	14.872	<u>15,371</u>	<u>0</u>
Total Public Housing Programs		<u>336,542</u>	<u>0</u>
<u>Section 8 Tenant Based Programs</u>			
Section 8 Housing Choice Voucher Program	14.871	<u>2,566,175</u>	<u>0</u>
Total Section 8 Tenant Based Programs		<u>2,566,175</u>	<u>0</u>
Total Direct U.S. Department of Housing and Urban Development		<u>2,902,717</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct Programs:</i>			
Rural Rental Housing Loan Subsidy	10.415	<u>109,749</u>	<u>1,410,104</u>
Total U.S. Department of Agriculture		<u>109,749</u>	<u>1,410,104</u>
Total Federal Expenditures		<u>\$ 3,012,466</u>	<u>\$ 1,410,104</u>

This schedule is prepared on the accrual basis of accounting.

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

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

To the Members of the Board
Pike Metropolitan Housing Authority
Piketon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pike Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pike Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pike Metropolitan Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pike Metropolitan Housing 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 Pike Metropolitan Housing 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 Pike Metropolitan Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pike Metropolitan Housing 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 Pike Metropolitan Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

May 18, 2017

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

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Ohio Society of Certified Public Accountants

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

To the Members of the Board
Pike Metropolitan Housing Authority
Piketon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Pike Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Pike Metropolitan Housing Authority's major federal program for the year ended December 31, 2016. The Pike Metropolitan Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Pike 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 its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

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

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



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

May 18, 2017

**PIKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2016(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871 Rural Rental Housing Loan Subsidy - CFDA #10.415	
2016(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2016(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.

**PIKE METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

The prior audit report, as of December 31, 2015, included no findings.



Dave Yost • Auditor of State

PIKE COUNTY METROPOLITAN HOUSING AUTHORITY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 13, 2017**