LONDON METROPOLITAN HOUSING AUTHORITY

MADISON COUNTY

REGULAR AUDIT

OCTOBER 1, 2016 – SEPTEMBER 30, 2017

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

Dave Yost • Auditor of State

Board of Commissioners
London Metropolitan Housing Authority
179 South Main Street
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of the London Metropolitan Housing Authority, Madison County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2016 through September 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

April 18, 2018

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

This page intentionally left blank.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

London Metropolitan Housing Authority
Madison County
179 South Main Street
London, Ohio 43140

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the London Metropolitan Housing Authority, Madison County, Ohio (the Authority), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the London Metropolitan Housing Authority, Madison County as of September 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

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

The Financial Data Schedules as required by the Department of Housing and Urban Development present additional analysis and are not a required part of the basic financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 16, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 16, 2018

UNAUDITED

The London Metropolitan Housing Authority's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net Position was $1,593,629 and $1,694,576 for fiscal year ended September 30, 2017 and 2016, respectively. The Authority-wide statements reflect a decrease of $100,947 during 2017. This decrease is reflective of the fiscal year's activities.

- The business-type activity revenue increased by $97,126 during 2017, and was $753,247 and $656,121 for 2017 and 2016, respectively. The increase was due to the operating grant revenue earned for the fiscal year.

- The total expenses of all Authority programs increased by $149,499. Total expenses were $854,194 and $704,695 for 2017 and 2016, respectively. The increase was in maintenance expenses and housing assistance payments for the Madison County Commissioners HOME program.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management's Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~
Other Required Supplementary Information ~ Required Supplementary Information (Pension Schedules) ~
Supplementary and Other Information ~ Financial Data Schedules ~

The primary focus of the Authority's financial statements is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden basis for comparison (fiscal year-to-fiscal year or Authority to Authority), and enhance the Authority's accountability.

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

THE AUTHORITY'S FUND

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

Business Type Activities:

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

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the units.

HOME Investment Partnerships Program – represents HUD resources developed from contracts with the Madison County to provide low income housing for residents.

Business Activity (BA) – The Business Activity Program was set-up to separate the HUD funded programs with non-HUD activities. This program is used to account for the financial activities for the construction and operation of a 4 unit apartment building known as South Oak Place.

Statement of Net Position

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

UNAUDITED

STATEMENT OF NET POSITION

	2017	2016
Current and Other Noncurrent Assets	$ 560,020	$ 511,393
Capital Assets	1,837,242	1,977,076
Total Assets	2,397,262	2,488,469
Deferred Outflows of Resources	80,330	65,059
Current Liabilities	72,786	92,761
Non-Current Liabilities	803,320	762,670
Total Liabilities	876,106	855,431
Deferred Inflows of Resources	7,857	3,521
Net Position		
Net Investment in Capital Assets	1,257,242	1,397,076
Unrestricted	336,387	297,500
Total Net Position	$1,593,629	$1,694,576

For more detailed information see page 11 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) increased by $48,627, mainly due to change in cash resulting from current fiscal year activities. The decrease in current liabilities of $19,975 was due to large outstanding vendor invoices (accounts payable) at fiscal year end. The increase in non-current liabilities was due to change in accrued net pension liability at fiscal year end.

Capital assets net change between 2017 and 2016 resulted in a decrease of $139,834. This change is the result of depreciation expense recognized for the fiscal year. See "Capital Assets and Debt Administration" on page 9.

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

UNAUDITED

CHANGE IN UNRESTRICTED NET POSITION

Unrestricted Net Position September 30, 2016		$297,500
Results of Operations:	($100,947)	
Adjustments:		
Depreciation (1)	139,834	
Adjusted Results from Operations		38,887
Unrestricted Net Position September 30, 2017		$336,387

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

CHANGE IN NET INVESTMENT IN CAPITAL ASSETS

Net Investment in Capital Assets September 30, 2016	$1,397,076
Results of Current Fiscal Year Activity:	
Depreciation	(139,834)
Net Investment in Capital Assets September 30, 2017	$1,257,242

This space intentionally left blank.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	2017	2016
Revenues		
Tenant Revenue	$ 224,469	$ 232,424
Government Operating Grants	503,583	330,221
Capital Grants	-	74,000
Interest	9	8
Other Revenues	25,186	19,468
Total Revenue	753,247	656,121
Expenses		
Administrative	175,368	174,840
Utilities	113,935	111,919
Maintenance	350,268	209,498
General and Insurance	42,509	52,641
Housing Assistance Payments	32,280	5,444
Depreciation	139,834	150,353
Total Expenses	854,194	704,695
Change in Net Position	(100,947)	(48,574)
Net Position at October 1	1,694,576	1,743,150
Net Position at September 30	$ 1,593,629	$ 1,694,576

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

Operating Grant Funds increased by $173,362 during the fiscal year, while Capital Grant Funding decreased by $74,000. The change in Operating and Capital Grant Funds is due to current fiscal year activities. The Authority incurred less capital improvement activities that met the definition to be capitalized. As such those activities were reported as maintenance expense and therefore classified as Operating Grant Funds.

Tenant revenue decreased by $7,955. The decrease was primarily due to family income and additional utilities allowances paid out.

The increase in Other Revenue is due mainly due to administration fee earned from the HOME program, administered on behalf of the Madison County Commissioners.

UNAUDITED

Expenses increased during the fiscal year by $149,499. The increase was primarily due to increase in the following accounts: maintenance expense of $140,770 and housing assistance payments of $26,836; offset by a decrease in depreciation expense of $10,519 and general and insurance of $10,132. All other expenses remained stable.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the fiscal year-end, the Authority had $1,837,242 invested in a variety of capital assets as reflected in the following schedule, which represents a decrease (current fiscal year depreciation) of $139,834 from the end of last fiscal year.

CAPITAL ASSETS AT FISCAL YEAR END
(NET OF DEPRECIATION)

	Business-type Activities	
	2017	2016
Land	$ 408,948	$ 408,948
Building and Improvements	3,892,852	3,892,852
Furniture, Equipment and Vehicles	321,128	321,128
Leasehold Improvements	1,638,859	1,638,859
Accumulated Depreciation	(4,424,545)	(4,284,711)
Total	$1,837,242	$1,977,076

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 4 of the notes to the basic financial statements.

CHANGE IN CAPITAL ASSETS

Beginning Balance	$1,977,076
Depreciation	(139,834)
Ending Balance	$1,837,242

The Authority had no additions or disposals of capital assets in fiscal year 2017.

Debt Outstanding

In prior fiscal years, the Authority received a loan from Ohio Housing Finance Agency (OHFA) totaling $580,000 for the construction of a four unit apartment building referred to as South Oak Place. The debt becomes due upon specific events as detailed in the agreement, none of which have occurred as of fiscal year end 2017. More information over Debt can be found in Note 8 in the notes to the basic financial statements.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Sal Consiglio, Executive Director of the London Metropolitan Housing Authority. Specific requests may be submitted to London Metropolitan Housing Authority, 179 S Main Street, London, OH 43140.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 523,233
Restricted Cash and Cash Equivalents	18,801
Accounts Receivable, net	9,020
Prepaid Items	8,966
Total Current Assets	560,020
Non-Current Assets:	
Capital Assets:	
Nondepreciable Capital Assets	408,948
Depreciable Capital Assets	5,852,839
Accumulated Depreciation	(4,424,545)
Total Capital Assets	1,837,242
Total Non-Current Assets	1,837,242
Total Assets	2,397,262
Deferred Outflows of Resources	80,330
Liabilities	
Current Liabilities:	
Accounts Payable	20,691
Accrued Wages and Payroll Taxes	8,568
Accrued Compensated Absences	7,541
Intergovernmental Payable	17,185
Tenant Security Deposits Payable	18,801
Total Current Liabilities	72,786
Non-Current Liabilities:	
Loan Liability	580,000
Accrued Compensated Absences	1,915
Net Pension Liability	221,405
Total Non-Current Liabilities	803,320
Total Liabilities	876,106
Deferred Inflows of Resources	7,857
Net Position	
Net Investment in Capital Assets	1,257,242
Unrestricted	336,387
Total Net Position	$ 1,593,629

The notes to the basic financial statements are an integral part of the statements.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Operating Revenues		
Tenant Revenue		$ 224,469
Government Operating Grants		503,583
Other Revenues		25,186
Total Operating Revenues		753,238
Operating Expenses		
Administrative	$ 175,368	
Utilities	113,935	
Maintenance	350,268	
General and Insurance	42,509	
Housing Assistance Payments	32,280	
Depreciation	139,834	
Total Operating Expenses		854,194
Operating Loss		(100,956)
Nonoperating Revenues		
Interest		9
Total Nonoperating Revenues		9
Change in Net Position		(100,947)
Net Position at October 1, 2016		1,694,576
Net Position at September 30, 2017		$ 1,593,629

The notes to the basic financial statements are an integral part of this statement.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Cash flows from operating activities:		
Operating grants received	$	506,933
Tenant revenues received		229,671
Other revenue received		25,186
General and administrative expenses paid		(678,858)
Housing assistance payments paid		(32,280)
Net cash provided by operating activities		50,652
Cash flows from investing activities:		
Interest		9
Net cash provided by investing activities		9
Net change in cash		50,661
Cash at October 1, 2016		491,373
Cash at September 30, 2017	$	542,034
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(100,956)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		139,834
Changes in:		
Accounts receivable, net		5,202
Prepaid items		(3,166)
Deferred outflows of resources		(15,271)
Accounts payable		(11,155)
Accrued wages and payroll taxes		(656)
Other liabilities		(6,702)
Net pension liability		39,186
Deferred inflows of resources		4,336
Net cash provided by operating activities	$	50,652

The notes to the basic financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Summary of Significant Accounting Policies</u>

The financial statements of the London Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

<u>Reporting Entity</u>

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

> **Madison Housing Development Corporation (MHDC)** - This organization was formed as an instrumentality of the Authority to assist in the development and financing of housing projects. MHDC is legally separate from the Authority however, the Board of the organization is consists of the Board members of the Authority.

The Madison Housing Development Corporation was created in June of 2010 and received its 501(c)(3) status letter on August 21, 2011. The responsibility of the Authority was to make application to the State of Ohio to establish the organization and to obtain section 501(c)(3) non-profit exemption status. For fiscal year-end 2017, Madison Housing Development Corporation has no assets, liabilities, revenues, or expenditures. It has been excluded from reporting as it is not considered to be a component unit of the Authority.

Fund Accounting

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

Proprietary Fund Type:

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

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

Accounting and Reporting for Nonexchange Transactions

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

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

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is $1,000. The following are the useful lives used for depreciation purposes:

Description	Estimated Useful Lives - Years
Building & Improvements	15 - 40
Leasehold Improvements	5 - 15
Furniture, Equipment & Vehicles	5 - 7

Cash and Cash Equivalents

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

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Accounts Receivable

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

Prepaid Items

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

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. 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, **(2)** It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Capital Grants

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions – Deferred Inflow/Outflow of Resources

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislation at September 30, 2017.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Tenant Security Deposits of $18,801.

Operating Revenues and Expenses

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition. All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority's discretion. Security shall be furnished for all accounts in the Authority's name.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

	Checking	Savings	Total
Demand Deposits:			
Bank balance	$ 495,386	$ 85,195	$ 580,581
Items-in-transit	(38,672)	-	(38,672)
Carrying balance	$ 456,714	$ 85,195	$ 541,909

Protection of the Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by Authority or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Of the fiscal year-end bank balance, $250,000 of deposits of the total checking and saving account balances were covered by federal deposit insurance and the remaining balance of $330,581 was covered by pledged and pooled securities held by third-party trustees maintaining collateral for all public funds on deposit. $125 was maintained in petty cash funds.

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

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

NOTE 3: INSURANCE AND RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The Authority pays insurance premiums directly to SHARP. The Authority also participates in Wayne County’s health insurance program through a commercial insurance carrier. Premiums are paid monthly. The Authority also pays unemployment claims to the State of Ohio as incurred.

The Authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from coverage in the prior fiscal year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 4: CAPITAL ASSETS

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

	Balance 10/1/16	Increase	Decrease	Balance 9/30/17
Capital Assets Not Depreciated				
Land	$ 408,948	$ -	$ -	$ 408,948
Capital Assets Depreciated				
Building and Improvements	3,892,852	-	-	3,892,852
Furniture, Equipment, and Vehicles	321,128	-	-	321,128
Leasehold Improvements	1,638,859	-	-	1,638,859
Total Capital Assets Depreciated	5,852,839	-	-	5,852,839
Accumulated Depreciation				
Building and Improvements	(3,291,450)	(27,372)	-	(3,318,822)
Furniture, Equipment, and Vehicles	(295,253)	(11,705)	-	(306,958)
Leasehold Improvements	(698,008)	(100,757)	-	(798,765)
Total Accumulated Depreciation	(4,284,711)	(139,834)	-	(4,424,545)
Total Capital Assets Depreciated, Net	1,568,128	(139,834)	-	1,428,294
Total Capital Assets, Net	$ 1,977,076	$ (139,834)	$ -	$ 1,837,242

NOTE 5: DEFINED BENEFIT PENSION PLANS

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

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

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

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.*

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

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 and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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:

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local
2016 & 2017 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
2017 Actual Contribution Rates:	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	1.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $15,931 for the fiscal year ended September 30, 2017.

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

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

Proportion Share of Net Pension Liability	$221,405
Proportion of Net Pension Liability	.001052%
Change in Proportion from Prior Measurement Date	(0.000077)%
Pension Expense	$30,242

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

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

	Traditional
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$32,972
Change in assumptions	35,118
Difference between expected and actual experience	300
Change in proportionate share	578
Authority contributions subsequent to the measurement date	11,362
Total Deferred Outflows of Resources	$80,330
Deferred Inflows of Resources	
Difference between expected and actual experience	$1,318
Change in proportion share	6,539
Difference between expected and actual experience	$7,857

Amount of $11,362 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Traditional
2018	$25,026
2019	25,599
2020	11,453
2021	(967)
Total	$61,111

Actuarial Assumptions – PERS

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Future Salary Increases, including inflation	3.25 - 10.75 percent, including wage inflation of 3.25%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual entry age

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

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

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

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proporationate share of the net pension liability - Traditional Pension Plan	$338,247	$221,405	$124,040

NOTE 6: POSTEMPLOYMENT BENEFITS

A. Plan Description

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan does not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 1-800-222-7377, or by visiting www.opers.org/investements/cafr.shtml.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary payroll of active members. For the year ended September 30, 2017, 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.

NOTE 6: POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS Board of Trustees 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 2.0% 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% for both plans. The 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 portion of actual Authority contributions for the years ended September 30, 2017, 2016 and 2015, which were used to fund post-employment benefits, were $1,551, $2,519, and $2,517, respectively.

NOTE 7: COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave may be carried forward to the next fiscal year and paid upon termination or retirement. Employees are not paid out accumulated sick leave upon retirement. As of September 30, 2017, the accrual for compensated absences totaled $9,456 and has been included in the accompanying Statement of Net Position.

NOTE 8: LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2017:

Description	Balance 10/01/16	Additions	Deletions	Balance 09/30/17	Due Within One Year
Promissory Note - OHFA	$580,000	$ -	$ -	$580,000	$ -
Compensated Absence Payable	12,129	9,005	(11,678)	9,456	7,541
Net Pension Liability	182,219	39,186	-	221,405	-
Total	$774,348	$ 48,191	$(11,678)	$810,861	$7,541

NOTE 8: LONG-TERM LIABILITIES (Continued)

On February 2, 2011, the Authority entered into a promissory note with the Ohio Housing Finance Agency (OHFA) in the amount of $580,000 to build 4-unit apartment building (known as South Oak Place). The project was complete as of September 30, 2013. The note accrues interest at a rate of two percent per annum. The note shall become due if the Authority ceases to use the South Oak Place for low income housing, as detailed in the agreement; as of September 30, 2017, the Authority continues to use the property to provide low income housing, therefore the events have not occurred or are anticipated to occur which would result in repayment of the note. Therefore, no amortization schedules are provided.

See Note 5 for information on the Authority's net pension liability.

NOTE 9: CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.000975%	0.001052%	0.001039%	0.001039%
Authority's Proportionate Share of the Net Pension Liability	$ 221,405	$ 182,219	$ 125,315	$ 122,485
Authority's Covered Employee Payroll	$124,871	$ 130,875	$ 131,708	$ 130,360
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	177.31%	139.23%	95.15%	93.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.
(2) The amounts presented for each fiscal year were determined as of the calendar year-ended that occurred within the fiscal year.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required employer contribution	$15,931	$15,705	$15,805	$16,295	$14,015	$ 9,698	$11,914	$ 8,200	$ 6,177	$ 6,799
Contributions in Relation to the Contractually Required Contribution	(15,931)	(15,705)	(15,805)	(16,295)	(14,015)	(9,698)	(11,914)	(8,200)	(6,177)	(6,799)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Authority Covered-Employee Payroll	$124,871	$130,875	$131,708	$130,360	$121,976	$96,980	$129,641	$93,714	$79,703	$91,507
Contributions as a Percentage of Covered-Employee Payroll	12.76%	12.00%	12.00%	12.50%	11.49%	10.00%	9.19%	8.75%	7.75%	7.43%

Ohio Public Employees' Retirement System

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

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

Changes in assumptions: In 2016, actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with most notable being a reduction in the actuarially assumed rate of return from 8.0% to 7.5% for the defined benefits investments. See the notes to the basic financial statements for the methods and assumptions in this calculation.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

ENTITY WIDE BALANCE SHEET SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2017

FDS Line Item No.	Account Description	Project Total	14.239 HOME Investment Partnerships Program	Business Activities	Elimination	Total
	Current Assets					
	Cash					
111	Cash - Unrestricted	$ 428,290	$ -	$ 94,943	$ -	$ 523,233
114	Cash - Tenant Security Deposits	17,061	-	1,740	-	18,801
100	Total Cash	445,351	-	96,683	-	542,034
	Accounts Receivable					
122	HUD Other Projects	350	-	-	-	350
124	Oher Government	-	7,315	-	-	7,315
126	Tenants	2,224	-	-	-	2,224
126.1	Allowance for Doubtful Accounts-Tenants	(869)	-	-	-	(869)
120	Total Receivables, Net of Allowance for Doubtful Accounts	1,705	7,315	-	-	9,020
	Other Assets					
142	Prepaid Expenses and Other Assets	5,651	3,224	91	-	8,966
144	Inter Program Due From	-	-	10,539	(10,539)	-
150	Total Current Assets	452,707	10,539	107,313	(10,539)	560,020
	Noncurrent Assets					
	Capital Assets					
161	Land	340,739	-	68,209	-	408,948
162	Buildings	3,310,538	-	582,314	-	3,892,852
163	Furniture and Equipment - Dwellings	142,777	-	-	-	142,777
164	Furniture and Equipment - Administration	178,351	-	-	-	178,351
165	Leasehold Improvements	1,638,859	-	-	-	1,638,859
166	Accumulated Depreciation	(4,351,756)	-	(72,789)		(4,424,545)
160	Total Capital Assets net of accumulated depreciation	1,259,508	-	577,734	-	1,837,242
180	Total Noncurrent Assets	1,259,508	-	577,734	-	1,837,242
190	Total Assets	1,712,215	10,539	685,047	(10,539)	2,397,262
200	Deferred Outflow of Resources	80,330	-	-	-	80,330
290	Total Assets and Deferred Outflow of Resources	$ 1,792,545	$ 10,539	$ 685,047	$ (10,539)	$ 2,477,592
	Current Liabilities					
312	Accounts Payable	$ 9,258	$ -	$ -	$ -	$ 9,258
321	Accrued Wages and Payroll Taxes	8,568	-	-	-	8,568
322	Accrued Compensated Absences - Current	7,541	-	-	-	7,541
333	Accounts Payable - Other Government	17,185	-	-	-	17,185
341	Tenant Security Deposits	17,061	-	1,740	-	18,801
346	Accrued Liabilities - Other	11,433	-	-	-	11,433
347	Inter Program - Due To	-	10,539	-	(10,539)	-
310	Total Current Liabilities	71,046	10,539	1,740	(10,539)	72,786
	Non-Current Liabilities					
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage	-	-	580,000	-	580,000
354	Accrued Compensated Absences - Noncurrent	1,915	-	-	-	1,915
357	Accrued Pension and OPEB Liabilities	221,405	-	-	-	221,405
350	Total Non-Current Liabilities	223,320	-	580,000	-	803,320
300	Total Liabilities	294,366	10,539	581,740	(10,539)	876,106
400	Deferred Inlow of Resources	7,857	-	-	-	7,857
	Net Position					
508.1	Net Investment in Capital Assets	1,259,508	-	(2,266)	-	1,257,242
512.1	Unrestricted Net Position	230,814	-	105,573	-	336,387
	Total Net Position	1,490,322	-	103,307	-	1,593,629
600	Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 1,792,545	$ 10,539	$ 685,047	$ (10,539)	$ 2,477,592

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

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

FDS Line Item No.	Account Description	Project Total	14.239 HOME Investment Partnerships Program	Business Activities	Elimination	Total
	Revenue					
70300	Net Tenant Rental Revenue	$ 203,589	$ -	$ 20,880	$ -	$ 224,469
70600	HUD PHA Operating Grants	467,941	-	-	-	467,941
70800	Other Governmental Grants	-	35,642	-	-	35,642
71100	Investment Income - Unrestricted	9	-	-	-	9
71500	Other Revenue	21,731	-	3,455	-	25,186
70000	Total Revenue	693,270	35,642	24,335	-	753,247
	Expenses					
91100	Administrative Salaries	40,936	-	500	-	41,436
91200	Auditing Fees	5,184	-	-	-	5,184
91300	Management Fee	-	-	-	-	-
91310	Book-keeping Fee	-	-	-	-	-
91500	Employee Benefit Contribution - Administrative	25,098	-	-	-	25,098
91600	Office Expenses	8,328	-	-	-	8,328
91700	Legal Expense	2,138	-	-	-	2,138
91800	Travel	889	-	-	-	889
91900	Other	87,789	3,362	1,144	-	92,295
91000	Total Operating - Administrative	170,362	3,362	1,644	-	175,368
93100	Water	36,463	-	-	-	36,463
93200	Electricity	9,270	-	802	-	10,072
93300	Gas	38,341	-	-	-	38,341
93600	Sewer	29,059	-	-	-	29,059
91000	Total Utilities	113,133	-	802	-	113,935
94100	Ordinary Maintenance and Operations - Labor	75,846	-	-	-	75,846
94200	Ordinary Maintenance and Operations - Materials and Other	22,869	-	-	-	22,869
94300	Ordinary Maintenance and Operations Contracts	100,726	-	-	-	100,726
94500	Employee Benefit Contributions - Ordinary Maintenance	45,940	-	-	-	45,940
94000	Total Maintenance and Operations	245,381	-	-	-	245,381
96110	Property Insurance	16,916	-	547	-	17,463
96100	Total Insurance Premiums	16,916	-	547	-	17,463
96210	Compensated Absences	11,191	-	-	-	11,191
96300	Payments in Lieu of Taxes	7,501	-	5,485	-	12,986
96400	Bad Debt - Tenant Rents	869	-	-	-	869
96000	Total Other General Expenses	19,561	-	5,485	-	25,046
96900	Total Operating Expenses	565,353	3,362	8,478	-	577,193
97000	Excess Operating Revenue Over Operating Expenses	127,917	32,280	15,857	-	176,054
	Other Expenses					
97100	Extraordinary Maintenance	104,887	-	-	-	104,887
97300	Housing Assistance Payments	-	32,280	-	-	32,280
97400	Depreciation Expense	125,276	-	14,558	-	139,834
	Total Other Expenses	230,163	32,280	14,558	-	277,001
90000	Total Expenses	795,516	35,642	23,036	-	854,194
	Other Financing Sources/(Uses)					
10010	Operating Transfer In	22,454	-	-	(22,454)	-
10020	Operating Transfer Out	(22,454)	-	-	22,454	-
10100	Total Other Financing Sources	-	-	-	-	-
10000	Excess of Revenues under Expenses	(102,246)	-	1,299	-	(100,947)
11030	Beginning Net Position	1,592,568	-	102,008	-	1,694,576
	Total Ending Net Position	$ 1,490,322	$ -	$ 103,307	$ -	$ 1,593,629

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

London Metropolitan Housing Authority
Madison County
179 South Main Street
London, Ohio 43140

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards,* the financial statements of the London Metropolitan Housing Authority, Madison County, (the Authority) as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

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

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

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

10 West Locust Street | Newark, Ohio 43055 | Phone: 740-345-6611 | Fax: 740-345-5635 | wssinc.net

Purpose of this Report

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 16, 2018

Dave Yost • Auditor of State

LONDON METROPOLITAN HOUSING AUTHORITY

MADISON 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
MAY 10, 2018