Certified Public Accountants, A.C.

LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY
LOGAN COUNTY
Single Audit
For the Year Ended December 31, 2018

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740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
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OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

Board of Commissioners
Logan Metropolitan Housing Authority
116 North Everett Street
Bellefontaine, Ohio 43311

We have reviewed the *Independent Auditor's Report* of the Logan Metropolitan Housing Authority, Logan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 26, 2019

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LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY
LOGAN COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

June 28, 2019

Logan County Metropolitan Housing Authority
Logan County
116 North Everett Street
Bellefontaine, Ohio 43311

To the Director and Board of Commissioners:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for 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.

Auditor's Responsibility (Continued)

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 the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

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 and OPEB liabilities and pension and OPEB contributions, as 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.

Other Matters (Continued)

Supplementary and Other Information

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

The Financial Data Schedule presented on pages 52 through 54 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility and derive from and relate 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 dated June 28, 2019, 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.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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The Housing Authority of the County of Logan's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant 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 year's activities, resulting changes and currently known facts, please read it in conjuncture with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased by $56,676 (or 1.45%) during 2018. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was $3.8 and $3.9 million for 2018 and 2017, respectively. The net position was restated to establish the beginning balance for the OPEB liability.
- Revenues increased by $113,955 (or 5.07%) during 2018, and were $2.3 and $2.2 million for 2018 and 2017 respectively.
- The total expenses of all Authority programs decreased by $87,490 (or 3.49%). Total expenses were $2.4 and 2.5 million for 2018 and 2017 respectively.

USING THIS ANNUAL REPORT

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

MD&A
~Management's Discussion
and Analysis ~

Basic Financial Statement
~Authority Financial Statements ~
~Statement of Net Position ~
~ Statement of Revenues, Expenses and Changes in Net Position ~
~ Statement of Cash Flows ~
~ Notes to Financial Statements ~

Other Supplementary Information
~Supplementary Information ~

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

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AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-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, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

> **Net Investment in Capital Assets**: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
>
> **Restricted Net Position**: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
>
> **Unrestricted Net Position**: Consists of Net Position that do not meet the definition of" Net Investment in Capital Assets", or" Restricted Net Position".

The Authority-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 rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense. The focus of the Statement of Revenues, Expenses and Changes in fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

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

FUND FINANCIAL STATEMENTS

The Authority administers several programs that are consolidated into a single proprietary type-enterprise fund. The enterprise fund consists of the following programs.

Conventional Public Housing - 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 and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Business Activities - Represents non-HUD resources developed from a variety of activities.

New GASB 75 Reporting

The net pension liability (NPL) is the largest single liability reported by the Authority at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net pension and subtracting deferred outflows related to pension and OPEB.

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

New GASB 75 Reporting (Continued)

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

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

2. Minus plan assets available to pay these benefits

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

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

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

New GASB 75 Reporting (Continued)

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

As a result of implementing GASB 75, the Authority is reporting net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from, $4,148,872 to $3,903,892.

AUTHORITY-WIDE STATEMENTS

STATEMENT OF NET POSITION

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

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

	2018	Restated 2017
Current and Other Assets	$ 383,152	$ 171,129
Capital Assets	4,357,698	4,605,788
Deferred Outflows of Resources	105,806	218,946
Total Assets and Deferred Outflows of Resources	4,846,656	4,995,863
Current Liabilities	123,251	138,376
Long-Term Liabilities	759,360	932,789
Total Liabilities	882,611	1,071,165
Deferred Inflows of Resources	116,829	20,806
Net Position:		
Net Investment in Capital Assets	4,170,507	4,397,804
Restricted Net Position	63,436	-
Unrestricted Net Position	(386,727)	(493,912)
Total Net Position	3,847,216	3,903,892
Total Liabilities, Deferred Inflows and Net Position	$ 4,846,656	$ 4,995,863

For more detailed information, see the Statement of Net Position in the financial statements.

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MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

During 2018, current and other assets increased by $212,023 (or 123.90%), and current liabilities decreased by $15,125 (or 10.93%). The increase in current and other assets resulted from current year activities. Current liabilities decreased mainly due to outstanding invoices not paid by the end of the year.

Capital assets also changed, decreasing from $4,605,788 to $4,357,698. The $248,090 (or 5.39%) decrease is primarily, due to a combination of net acquisitions, less current year depreciation and amortization.

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

	2018	2017
Revenues		
Total Tenant Revenues	$ 155,322	$ 158,114
Operating Subsidies	2,136,467	1,955,321
Capital Grants	53,621	71,037
Investment Income	16	9
Other Revenues	14,784	61,774
Total Revenues	**2,360,210**	**2,246,255**
Expenses		
Administrative	289,746	378,191
Tenant Services	40,774	37,903
Utilities	30,338	31,382
Insurance	27,245	32,067
Maintenance	263,743	238,801
General and Interest Expenses	21,469	26,803
Housing Assistance Payments	1,441,862	1,458,735
Depreciation	301,709	300,494
Total Expenses	**2,416,886**	**2,504,376**
Net Increases (Decreases)	**$ (56,676)**	**$ (258,121)**

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

Total revenue increased by $113,955 which was due mainly to an increase in HUD operating subsidies.

Expenses decreased by $87,490 for the year. The decrease was due to cost savings measures that were implemented during the year. All expenses decreased with the exceptions of tenant services, maintenance, and depreciation. The housing authority continued to assist families as much as possible, even with cuts implemented. Maintenance expense increased by $24,942. Tenant services increased by $2,871. Depreciation increased by $1,215.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had $4,357,698 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of $248,090 (or 5.39%) from the end of last year:

Table 3 - Condensed Statement of Changes in Capital Assets

	2018	2017
Land and Land Rights	$ 730,371	$ 730,371
Buildings	9,533,938	9,480,317
Equipment	575,268	575,268
Accumulated Depreciation	(6,481,879)	(6,180,168)
Total	$ 4,357,698	$ 4,605,788

The following reconciliation summarizes the change in Capital Assets.

Table 4 - Change in Capital Assets

BEGINNING BALANCE	$ 4,605,788
Current year additions	53,619
Depreciation Expense	(301,709)
ENDING BALANCE	$ 4,357,698

This year's additions are primarily capital improvement done with Capital Fund Program funding received from HUD.

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DEBT ADMINISTRATION

At year end the Authority had $187,191 of outstanding debt. The following is the activities for the year:

TABLE 5
CONDENSED STATEMENT OF CHANGE IN DEBT OUTSTANDING

Beginning Balance - December 31, 2017	$	207,984
Current Year Principal Payments		(20,793)
Ending Balance - December 31, 2018	$	187,191

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding levels 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
- Market rates for rental housing
- Local rental market rates and housing supply and demand, which affects the Authority's ability to maintain leasing rates.

IN CONCLUSION

Logan County Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Gail Clark, Executive Director of the Logan County Metropolitan Housing Authority at (937) 599-1845.

LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY
LOGAN COUNTY

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	$ 156,055
Cash and Cash Equivalents - Restricted	143,187
Accounts Receivable, Net:	1,405
Inventories	24,785
Prepaid Expenses and Other Assets	24,805
Total Current Assets	350,237
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	730,371
Depreciable Capital Assets, Net of Accumulated Depreciation	3,627,327
Total Capital Assets	4,357,698
Net Pension Assets	32,915
Total Noncurrent Assets	4,390,613
Total Assets	4,740,850
Deferred Outflows:	
Pension	86,147
OPEB	19,659
Total Deferred Outflows	105,806
Total Asets and Deferred Outflows	$ 4,846,656
Liabilities	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	$ 20,352
Accounts Payable	5,724
Compensated Absences - Current	7,103
Tenant Security Deposits	42,677
Unearned Revenue	2,840
Current Portion of Long-Term Debt	27,803
Other Current Liabilities	16,752
Total Current Liabilities	123,251
Non-Current Liabilities:	
Long Term Debt, Net of Current Portion	159,388
Compensated Absences - Non-Current	16,008
Net Pension Liability	296,504
Net OPEB Liability	267,138
Other Non-Current Liabilities	20,322
Total Non-Current Liabilities	759,360
Total Liabilities	882,611
Deferred Inflows:	
Pension	96,929
OPEB	19,900
Total Deferred Inflows	116,829
Net Position:	
Net Investment in Capital Assets	4,170,507
Restricted	63,436
Unrestricted (Deficit)	(386,727)
Total Net Position	3,847,216
Total Liabilities, Deferred Outflows and Net Position	$ 4,846,656

See accompanying notes to the basic financial statements.

LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY
LOGAN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues		
Tenant Rental Revenue	$	155,322
Government Operating Grants		2,136,467
Other Revenue		14,784
Total Operating Revenues		2,306,573
Operating Expenses		
Administrative		289,746
Tenant Services		40,774
Utilities		30,338
Ordinary Maintenance & Operation		263,743
Insurance		27,245
General Expense		12,986
Housing Assistance Payments		1,441,862
Depreciation Expense		301,709
Total Operating Expenses		2,408,403
Operating Income/(Loss)		(101,830)
Non-Operating Revenues/(Expenses)		
Investment Income - Unrestricted		16
Interest Expense		(8,483)
Total Non-Operating Revenues/(Expenses)		(8,467)
Capital Grants		53,621
Change in Net Position		(56,676)
Net Position, Beginning of Year (Restated - See Note 3)		3,903,892
Net Position, End of Year	$	3,847,216

See accompanying notes to the basic financial statements.

LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY
LOGAN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities:	
Receipts From Tenants	$ 154,727
Receipts From Operating Grants	2,142,657
Other Operating Receipts	15,360
Housing Assistance Payments	(1,441,862)
Payments for General and Administrative Expense	(644,069)
Net Cash Used in Operating Activities	226,813
Cash Flows From Capital and Related Financing Activities:	
Capital Grants	59,338
Construction and Acquisition of Capital Assets	(53,619)
Capital Financing Interest and Principal	(29,276)
Net Cash Used in Capital and Related Financing Activities	(23,557)
Cash Flows From Investing Activities:	
Interest Received on Investments	16
Net Cash Provided by Investing Activities	16
Net Increase in Cash and Cash Equivalents	203,272
Cash at Beginning of Year	95,970
Cash at End of Year	$ 299,242
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Operating Loss	$ (101,830)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities	
Depreciation Expense	301,709
(Increase) Decrease In:	
Accounts Receivable	6,171
Prepaid Expenses and Other Assets	(1,987)
Inventories	(1,353)
Deferred Outflows Pension	129,311
Deferred Outflows OPEB	(16,171)
Other Assets	(17,299)
Increase (Decrease) In:	
Accrued Wages and Payroll Taxes Payable	(20,068)
Accounts Payable	(2,041)
Accrued Compensated Absences	2,240
Tenant Security Deposits	3,914
Other Current Liabilities	(10,255)
Other Noncurrent Liabilities	(3,694)
Net Pension Liability	(156,527)
Net OPEB Liability	18,670
Deferred Inflows Pension	76,123
Deferred Inflows OPEB	19,900
Net Cash Provided by Operating Activities	$ 226,813

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created pursuant to 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 rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity (as amended by GASB Statement No. 61), 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 a 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 governing 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.

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY (CONTINUED)

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. The financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The Authority uses a single enterprise fund to maintain its financial records during the year. 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 for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities 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 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.

Enterprise Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise Fund (Continued)

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

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

Projects - Conventional Public Housing and Capital Fund Programs
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 Authority to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical (i.e. capital) and management improvements to the Authority's properties. Funds are provided by formula allocation and based on size and age of the units.

Housing Choice Voucher Program
Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistant Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Other Business Activities
Other Business Activities (OBA) – Represents non-HUD activities of the Authority that include providing affordable housing for low income people outside of the scope of the conventional and housing choice voucher programs.

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, and all non-negotiable certificates of deposits regardless of maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Reporting for Nonexchange Transactions

Non-exchange transactions occur when the Authority receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of non-exchange transactions as follows:

1. Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
2. Imposed non-exchange revenues: result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (i.e., property taxes and fines).

3. Government-mandated non-exchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).

4. Voluntary non-exchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

The Authority grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

1. Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of non-exchange transactions.

2. Purpose restrictions specify the purpose for which resources are required to be used, (i.e., capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a non-exchange transaction is recognized. However, authority's that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are restricted by the provisions of the HUD regulations (See Note 4). Investments are valued at market value. At December 31, 2018, The Authority did not have any investments.

Receivables - Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. At December 31, 2018, the Authority believed $275 of the accounts receivable to be uncollectible.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is stated at cost and uses the Moving Average Costing flow assumption in determining cost.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used. The allowance for obsolete inventory was $0 at December 31, 2018.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an 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 expensed as incurred. The Authority's capitalization threshold is $750. The following are the useful lives used for depreciation purposes:

Buildings	40 years
Building improvements	15 years
Furniture and Equipment	3-7 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash represents amounts held in FSS escrow on behalf of tenants and HAP funds received.

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

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 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 liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflow and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

Pension / Other Post-Employment Benefits

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

Unearned Revenue

Represent tenant’s prepayment of rent.

Net Position

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

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted amounts are available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grant from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, depreciation, bad debt and housing assistance payments.

Capital Grant

This represents grants provided by HUD that the Authority spends on capital assets.

Budgetary Accounting

The Authority annually prepares its program budgets as prescribed by the Department of Housing and Urban Development. These budgets are adopted by the Board of the Authority and submitted to the Federal agencies, as applicable.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

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

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (CONTINUED)

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

Net Position - December 31, 2017	$4,148,872
Adjustments:	
Net OPEB Liability	(248,468)
Deferred Outflows	3,488
Restated Net Position - December 31, 2017	$3,903,892

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

4. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

4. **DEPOSITS AND INVESTMENTS (CONTINUED)**

Deposits (Continued)

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

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

The carrying amount of the Authority's deposits was $299,242 at December 31, 2018, including $300 petty cash. The corresponding bank balances were $366,771. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of December 31, 2018, $288,004 was covered by federal depository insurance. $78,767 was exposed to custodial risk.

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

Investments

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

4. **DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments (Continued)

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

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

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

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

The Authority had no investments at December 31, 2018.

5. CAPITAL ASSETS

A summary of changes in the Authority's capital assets for the year ended December 31, 2018, follows:

	Ending Balance 12/31/17	Rounding Adjustment	Additions	Deletions	Ending Balance 12/31/18
Capital Assets Not Being Depreciated:					
Land and Land Easements	$ 730,371	$ -	$ -	$ -	$ 730,371
Total Capital Assets Not Being Depreciated	730,371	-	-	-	730,371
Capital Assets Being Depreciated:					
Buildings	9,480,317	2	53,619	-	9,533,938
Furniture and Equipment	575,268	-	-	-	575,268
Total Capital Assets Being Depreciated	10,055,585	2	53,619	-	10,109,206
Less Accumulated Depreciation:					
Buildings	(5,625,730)	(2)	(291,449)	-	(5,917,181)
Furniture and Equipment	(554,438)	-	(10,260)	-	(564,698)
Total Accumulated Depreciation	(6,180,168)	(2)	(301,709)	-	(6,481,879)
Total Capital Assets Being Depreciated,	3,875,417	-	(248,090)	-	3,627,327
Total Capital Assets, Net	$ 4,605,788	$ -	$ (248,090)	$ -	$ 4,357,698

6. LONG-TERM OBLIGATIONS

Changes in activity in Long-Term Obligations is as follows:

	Restated Balance 12/31/17	Net Change	Retired	Balance 12/31/18	Due One Year
512 Walker	$ 47,237	$ -	$ 6,869	$ 40,368	$ 8,964
229 Walker	76,345	-	2,705	73,640	4,979
Pratt/Seymour	84,402	-	11,219	73,183	13,860
Net Pension Liability	453,031	(156,527)	-	296,504	-
NET OPEB Liability	248,468	18,670	-	267,138	-
	$ 909,483	$ (137,857)	$ 20,793	$ 750,833	$ 27,803

6. LONG-TERM OBLIGATIONS (CONTINUED)

The long-term debt consists of two mortgages and a construction Line of Credit that were assumed by the Authority on September 2, 2015. This debt is associated with several rental properties that were transferred to the Authority by the Not-for-Profit agency, (HAND), on that date. The principal amount owed at the time of transfer was $242,223. The property and associated debt were recorded on the Authority's Business Activities Ledger.

The original amount of the mortgage for 512 Walker is $71,250. Monthly payments of $747 started in 2014 and are required until the maturity date in 2024.

The original amount of the mortgage for 229 Walker is $120,000 in 2014. Due at the variable interest rate, Citizens Federal notifies the Authority of the yearly interest rate and monthly payment amount to begin in June each year. Due to the variance rate, the monthly payments changed from $442.27 in 2017 to $481.02 in 2018. This mortgage matures in 2037.

The original amount of the line of credit for Pratt/Seymour is $34,917 in 2008. Additional draws were made on the line of credit until the maximum of $120,000 was reached and the line of credit was terminated and converted into a permanent loan. No maturity date has been established.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	512 Walker	229 Walker	Pratt/ Seymour
2019	7,200	3,133	7,987
2020	7,550	3,213	8,650
2021	7,916	3,294	9,368
2022	8,301	3,377	10,146
2023	8,703	3,463	10,988
2024-2028	698	18,671	26,044
2029-2033	-	21,154	-
2034-2037	-	17,335	-
	$ 40,368	$ 73,640	$ 73,183

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended December 31, 2018, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

Also, during 2018, the Authority was insured through the State Housing Authority Risk Pool Association, Inc. (SHARP), a public entity risk pool operating a common risk management and insurance program for its housing authority members. The State Housing Authority Risk Pool Association, Inc. is self-sustaining through member premiums and reinsures through commercial insurance companies.

On June 1, 2013, the Authority in conjunction with other entities jointly contracted with a commercial insurance carrier for risk of loss for employee health and accident insurance. Prior to June 1st the Authority was part of the Ohio Public Healthcare Risk Pool Joint Self Insurance Association, which was a member of the Jefferson Health plan. The OPHRP withdrew from the Jefferson plan prior to the expiration of their contract. At the time of their withdrawal, The Jefferson Health plan alleges that the OPHRP has a claims deficit of $769,159 plus addition charges and penalties of $519,936.

On July 23, 2015, The Ohio Public Health Care Risk Pool Joint Self Insurance Association and the Jefferson Health Plan reached a settlement agreement. The agreement requires the Ohio Public Healthcare Risk Pool Joint Self Insurance Association to pay $450,000 in total over a 4-year period, with $150,000 due by August 7, 2015 and $100,000 annual payments due on August 1 of 2016, 2017, and 2018.

The settlement amount was divided amongst the Ohio Public Healthcare Risk Pool Joint Self Insurance Association member organizations based on the number of participants each organization had enrolled in the plan in June of 2013, at a cost of $4,500 per member.

Logan County Metropolitan Housing Authority had 5 participants enrolled in the plan and therefore was allocated $22,500 of the settlement costs. This amount was charged to Employee Benefits expense and a liability in that amount was recorded in 2015. LCMHA made their final payment of $5,000 in 2018.

8. DEFINED BENEFIT PENSION PLAN

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 both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

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

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

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

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

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

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

	State and Local
2017 - 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and 0.0 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution for pension was $39,374 for fiscal year ending December 31, 2018.

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

The net pension liability / (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.001995%	0.02806%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.001890%	0.02418%	
Change in Proportionate Share	-0.000105%	-0.00388%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 296,504	$ (32,915)	$ 263,589

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 303	$ 0	$ 303
Changes of assumptions	35,434	2,876	38,310
Changes in proportion and differences between Authority contributions and proportionate share of contributions	6,279	1,881	8,160
Authority contributions subsequent to the measurement date	28,196	11,178	39,374
Total Deferred Outflows of Resources	$70,212	$15,935	$86,147
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 63,656	$ 5,193	$ 68,849
Differences between expected and actual experience	5,843	9,806	15,649
Changes in proportion and differences between Authority contributions and proportionate share of contributions	10,995	1,436	12,431
Total Deferred Inflows of Resources	$80,494	$16,435	$96,929

$39,374 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Year Ending December31:			
2019	$ 26,748	$ (1,633)	$ 25,115
2020	(11,039)	(1,775)	(12,814)
2021	(28,031)	(2,938)	(30,969)
2022	(26,156)	(2,816)	(28,972)
2023	0	(992)	(992)
Thereafter	0	(1,524)	(1,524)
Total	$ (38,478)	$ (11,678)	$ (50,156)

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

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

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

Authority's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	$ 526,516	$ 296,504	$ 104,744
Combined Plan	$ (17,892)	$ (32,915)	$ (43,280)

9. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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

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

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

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

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

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

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

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

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

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

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2018. The Authority's contractually required contribution was $3,220 for fiscal year ending December 31, 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of total contributions relative to the total contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.002460%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.002460%
Change in Proportionate Share	0.000000%
Proportionate Share of the Net OPEB Liability	$ 267,138

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

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

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 209
Changes of assumptions	19,450
Total Deferred Outflows of Resources	$ 19,659
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 19,900
Changes in proportion and differences between Authority contributions and proportionate share of contributions	0
Total Deferred Inflows of Resources	$ 19,900

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

Year Ending September 30:	OPERS
2019	$ 4,423
2020	4,423
2021	(4,111)
2022	(4,976)
Total	$ (241)

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.

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

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

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

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

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent.

9. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 354,904	$ 267,138	$ 196,136

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease (6.5%)	Current Health Care Cost Trend Rate Assumption (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net OPEB liability	$ 255,594	$ 267,138	$ 279,062

10. COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners.

Annual vacation leave is given to all full time permanent employees on a pro-rate basis; two weeks per year of service one through five years, three weeks for six to ten years of service and four weeks for ten years of service or more. The annual leave does not accumulate for longer than a one-year period and must be schedule in the year earned.

Sick leave accrues for full time permanent employees on the basis of 10 hours per month, cumulative to 120 days or 960 hours. An Employee at the time of retirement from active service with the authority may elect to be paid cash for (1/4) of the value of accrued unused sick leave credit at the employee's rate of pay at the time of retirement. The Authority's policy is to begin to accrue sick leave for employees five (5) years before they are eligible for retirement. At December 31, 2018, the Authority had $23,111 sick and vacation leave accrued. The following is a summary of changes in compensated absences for the year ended December 31, 2018:

	Balance 12/31/17	Net Change	Balance 12/31/18	Due One Year
Compensated Absences Payable	$ 20,871	$ 2,240	$ 23,111	$ 7,103

11. RESTRICTED ASSETS

The Authority's restricted assets are as follows:

Tenant Security Deposits	$ 42,677
Housing Assistance Payments funds	63,436
Family Self-Sufficiency Program	37,074
	$ 143,187

12. CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2018.

12. **CONTINGENCIES (CONTINUED)**

Commitments and Contingencies

The Authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning, and other services. Such commitments are monthly and annually.

Litigations

In the normal course of operations, the Authority may be subject to litigations and claims. At December 31, 2018, the Authority was not aware of any such matters.

13. **FAMILY SELF-SUFFICIENCY PROGRAM**

The Logan County Metropolitan Housing Authority has a Family Self-Sufficiency Program (FSSP). This program is designed to assist families to become self-sufficient through an escrowed savings plan provided by the Authority. Upon completion of the objectives, the family receives their escrow balance.

At December 31, 2018, the Authority held in escrow $37,074 for the Family Self Sufficiency Program. The Authority recognizes the escrow as cash and FSS liability on the balance sheet.

14. **PAYMENT IN LIEU OF TAXES**

The Authority has cooperation agreements with certain municipalities under which it makes payment in lieu of real estate taxes for various public services. Expense recognized for payment in lieu of taxes for the year ended December 31, 2018 totaled $3,435.

15. **FINANCIAL DATA SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended December 31, 2018, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenue and expenses and changes in net position, and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by HUD.

16. **ECONOMIC DEPENDENCY**

Both the Low Rent Public Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD.

Required Supplementary Information

Logan County Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Year Ended December 31, 2018

	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability					
Traditional Plan	0.001890%	0.001995%	0.002128%	0.002193%	0.002193%
Combined Plan	0.024179%	0.028057%	0.030810%	0.032903%	0.032903%
Authority's Proportionate Share of the Net Pension Liability (Asset)					
Traditional Plan	$ 296,504	$ 453,031	$ 368,596	$ 264,500	$ 258,526
Combined Plan	(32,915)	(15,616)	(14,993)	(12,668)	(3,453)
Authority's covered payroll	281,243	348,800	367,070	389,917	338,069
Authority's Proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	93.72%	125.41%	96.33%	64.59%	75.45%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability					
Traditional Plan	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	137.28%	116.55%	116.90%	114.83%	104.33%

Information prior to fiscal year 2014 is not available.

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See accompanying notes to the required supplementary information.

Logan County Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
For the Year Ended December 31, 2018

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.002460%	0.002460%
Authority's Proportionate Share of the Net OPEB Liability	$ 267,138	$ 248,468
Authority's covered payroll	281,243	348,800
Authority's Proportionate share of the Net OPEB Liability as a percentage of its covered payroll	94.98%	71.24%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	54.14%	68.52%
Combined Plan	137.28%	116.55%

The amounts presented is as of the Authority's plan measurement date, which is the prior calendar year.

Information prior to 2017 is not available. Schedule is intended to show 10 years of information, and additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

Logan County Metropolitan Housing Authority
Required Supplementary Information
Schedule of Authority's Contributions
For the Year Ended December 31, 2018

	2018	2017	2016	2015
Contractually Required Contribution				
Pension	$ 39,374	$ 45,344	$ 44,051	$ 38,408
OPEB	-	3,488	7,338	7,682
Contributions in Relation to the Contractually Required Contribution	(39,374)	(48,832)	(51,389)	(46,090)
Authority's covered payroll	$ 281,243	$ 348,800	$ 367,070	$ 384,083
Contributions as a percentage of covered payroll				
Pension	14.00%	13.00%	12.00%	10.00%
OPEB	0.00%	1.00%	2.00%	2.00%

Information prior to 2015 is not available.

See accompanying notes to the required supplementary information.

Ohio Public Employees' Retirement System

Net Pension Liability

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

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

Net OPEB Liability

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

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

Supplementary Information

LOGAN COUNTY METROPLOITAN HOUSING AUTHORITY
LOGAN COUNTY
FINANCIAL DATA SCHEDULE
AS OF DECEMBER 31, 2018

	Business Activities	14.871 Housing Choice Vouchers	Project Total	Subtotal	ELIM	TOTAL
111 Cash - Unrestricted	$19,487	$97,675	$38,893	$156,055	$0	$156,055
113 Cash - Other Restricted	$0	$83,758	$0	$83,758	$0	$83,758
114 Cash - Tenant Security Deposits	$6,097	$0	$36,580	$42,677	$0	$42,677
115 Cash - Restricted for Payment of Current Liabilities	$0	$16,752	$0	$16,752	$0	$16,752
100 Total Cash	$25,584	$198,185	$75,473	$299,242	$0	$299,242
126 Accounts Receivable - Tenants	$634	$0	$1,046	$1,680	$0	$1,680
126.1 Allowance for Doubtful Accounts -Tenants	$0	$0	-$275	-$275	$0	-$275
120 Total Receivables, Net of Allowances for Doubtful Accounts	$634	$0	$771	$1,405	$0	$1,405
142 Prepaid Expenses and Other Assets	$1,643	$541	$22,621	$24,805	$0	$24,805
143 Inventories	$0	$0	$24,785	$24,785	$0	$24,785
144 Inter Program Due From	$0	$0	$27,500	$27,500	-$27,500	$0
150 Total Current Assets	$27,861	$198,726	$151,150	$377,737	-$27,500	$350,237
161 Land	$47,170	$0	$683,201	$730,371	$0	$730,371
162 Buildings	$1,222,714	$0	$8,311,224	$9,533,938	$0	$9,533,938
163 Furniture, Equipment & Machinery - Dwellings	$0	$0	$141,958	$141,958	$0	$141,958
164 Furniture, Equipment & Machinery - Administration	$0	$101,911	$331,399	$433,310	$0	$433,310
166 Accumulated Depreciation	-$148,208	-$101,749	-$6,231,922	-$6,481,879	$0	-$6,481,879
160 Total Capital Assets, Net of Accumulated Depreciation	$1,121,676	$162	$3,235,860	$4,357,698	$0	$4,357,698
174 Other Assets	$0	$10,530	$22,385	$32,915	$0	$32,915
180 Total Non-Current Assets	$1,121,676	$10,692	$3,258,245	$4,390,613	$0	$4,390,613
200 Deferred Outflow of Resources	$0	$37,314	$68,492	$105,806	$0	$105,806
290 Total Assets and Deferred Outflow of Resources	$1,149,537	$246,732	$3,477,887	$4,874,156	-$27,500	$4,846,656
312 Accounts Payable <= 90 Days	$11	$503	$728	$1,242	$0	$1,242
321 Accrued Wage/Payroll Taxes Payable	$0	$5,323	$15,029	$20,352	$0	$20,352
322 Accrued Compensated Absences - Current Portion	$0	$3,219	$3,884	$7,103	$0	$7,103
331 Accounts Payable - HUD PHA Programs	$0	$1,114	$0	$1,114	$0	$1,114
333 Accounts Payable - Other Government	$0	$0	$3,368	$3,368	$0	$3,368
341 Tenant Security Deposits	$6,097	$0	$36,580	$42,677	$0	$42,677
342 Unearned Revenue	$0	$0	$2,840	$2,840	$0	$2,840
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$27,803	$0	$0	$27,803	$0	$27,803
345 Other Current Liabilities	$0	$16,752	$0	$16,752	$0	$16,752
347 Inter Program - Due To	$27,500	$0	$0	$27,500	-$27,500	$0
310 Total Current Liabilities	$61,411	$26,911	$62,429	$150,751	-$27,500	$123,251
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$159,388	$0	$0	$159,388	$0	$159,388
353 Non-current Liabilities - Other	$0	$20,322	$0	$20,322	$0	$20,322
354 Accrued Compensated Absences - Non Current	$0	$4,619	$11,389	$16,008	$0	$16,008
357 Accrued Pension and OPEB Liabilities	$0	$173,457	$390,185	$563,642	$0	$563,642
350 Total Non-Current Liabilities	$159,388	$198,398	$401,574	$759,360	$0	$759,360
300 Total Liabilities	$220,799	$225,309	$464,003	$910,111	-$27,500	$882,611
400 Deferred Inflow of Resources	$0	$41,202	$75,627	$116,829	$0	$116,829
508.4 Net Investment in Capital Assets	$934,485	$162	$3,235,860	$4,170,507	$0	$4,170,507
511.4 Restricted Net Position	$0	$63,436	$0	$63,436	$0	$63,436
512.4 Unrestricted Net Position	-$5,747	-$83,377	-$297,603	-$386,727	$0	-$386,727
513 Total Equity - Net Assets / Position	$928,738	-$19,779	$2,938,257	$3,847,216	$0	$3,847,216
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$1,149,537	$246,732	$3,477,887	$4,874,156	-$27,500	$4,846,656

LOGAN COUNTY METROPLOITAN HOUSING AUTHORITY
LOGAN COUNTY
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business Activities	14.870 Resident Opportunity & Supportive Services	14.871 Housing Choice Vouchers	Project Total	Subtotal	ELIM	TOTAL
70300 Net Tenant Rental Revenue	$91,774	$0	$0	$63,548	$155,322	$0	$155,322
70500 Total Tenant Revenue	$91,774	$0	$0	$63,548	$155,322	$0	$155,322
70600 HUD PHA Operating Grants	$0	$40,774	$1,673,347	$422,346	$2,136,467	$0	$2,136,467
70610 Capital Grants	$0	$0	$0	$53,621	$53,621	$0	$53,621
71100 Investment Income - Unrestricted	$3	$0	$9	$4	$16	$0	$16
71400 Fraud Recovery	$0	$0	$892	$0	$892	$0	$892
71500 Other Revenue	$183	$0	$931	$12,778	$13,892	$0	$13,892
70000 Total Revenue	$91,960	$40,774	$1,675,179	$552,297	$2,360,210	$0	$2,360,210
91100 Administrative Salaries	$17,651	$0	$26,375	$66,894	$110,920	$0	$110,920
91200 Auditing Fees	$0	$0	$2,687	$5,599	$8,286	$0	$8,286
91400 Advertising and Marketing	$0	$0	$235	$274	$509	$0	$509
91500 Employee Benefit contributions - Administrative	$5,651	$0	$34,337	$34,081	$74,069	$0	$74,069
91600 Office Expenses	$0	$0	$5,507	$14,394	$19,901	$0	$19,901
91700 Legal Expense	$0	$0	$0	$1,480	$1,480	$0	$1,480
91800 Travel	$0	$0	$0	$4,522	$4,522	$0	$4,522
91900 Other	$3,579	$0	$26,612	$39,868	$70,059	$0	$70,059
91000 Total Operating - Administrative	$26,881	$0	$95,753	$167,112	$289,746	$0	$289,746
92100 Tenant Services - Salaries	$0	$40,774	$0	$0	$40,774	$0	$40,774
92500 Total Tenant Services	$0	$40,774	$0	$0	$40,774	$0	$40,774
93100 Water	$34	$0	$0	$5,019	$5,053	$0	$5,053
93200 Electricity	$74	$0	$0	$10,290	$10,364	$0	$10,364
93300 Gas	$326	$0	$0	$7,147	$7,473	$0	$7,473
93600 Sewer	$38	$0	$0	$7,410	$7,448	$0	$7,448
93000 Total Utilities	$472	$0	$0	$29,866	$30,338	$0	$30,338
94100 Ordinary Maintenance and Operations - Labor	$1,697	$0	$0	$86,365	$88,062	$0	$88,062
94200 Ordinary Maintenance and Operations - Materials and Other	$4,179	$0	$0	$48,767	$52,946	$0	$52,946
94300 Ordinary Maintenance and Operations Contracts	$4,015	$0	$0	$58,090	$62,105	$0	$62,105
94500 Employee Benefit Contributions - Ordinary Maintenance	$875	$0	$0	$59,755	$60,630	$0	$60,630
94000 Total Maintenance	$10,766	$0	$0	$252,977	$263,743	$0	$263,743
96110 Property Insurance	$1,557	$0	$0	$19,825	$21,382	$0	$21,382
96120 Liability Insurance	$81	$0	$1,217	$1,274	$2,572	$0	$2,572
96130 Workmen's Compensation	$0	$0	$133	$0	$133	$0	$133
96140 All Other Insurance	$0	$0	$0	$3,158	$3,158	$0	$3,158
96100 Total insurance Premiums	$1,638	$0	$1,350	$24,257	$27,245	$0	$27,245
96210 Compensated Absences	$0	$0	$3,260	$3,926	$7,186	$0	$7,186
96300 Payments in Lieu of Taxes	$0	$0	$0	$3,435	$3,435	$0	$3,435
96400 Bad debt - Tenant Rents	$0	$0	$0	$2,365	$2,365	$0	$2,365
96000 Total Other General Expenses	$0	$0	$3,260	$9,726	$12,986	$0	$12,986
96710 Interest of Mortgage (or Bonds) Payable	$8,483	$0	$0	$0	$8,483	$0	$8,483
96700 Total Interest Expense and Amortization Cost	$8,483	$0	$0	$0	$8,483	$0	$8,483
96900 Total Operating Expenses	$48,240	$40,774	$100,363	$483,938	$673,315	$0	$673,315

LOGAN COUNTY METROPLOITAN HOUSING AUTHORITY
LOGAN COUNTY
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business Activities	14.870 Resident Opportunity & Supportive Services	14.871 Housing Choice Vouchers	Project Total	Subtotal	ELIM	TOTAL
97000 Excess of Operating Revenue over Operating Expenses	$43,720	$0	$1,574,816	$68,359	$1,686,895	$0	$1,686,895
97300 Housing Assistance Payments	$0	$0	$1,441,862	$0	$1,441,862	$0	$1,441,862
97400 Depreciation Expense	$44,462	$0	$97	$257,150	$301,709	$0	$301,709
90000 Total Expenses	$92,702	$40,774	$1,542,322	$741,088	$2,416,886	$0	$2,416,886
10010 Operating Transfer In	$0	$0	$0	$52,135	$52,135	-$52,135	$0
10020 Operating transfer Out	$0	$0	$0	-$52,135	-$52,135	$52,135	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$742	$0	$132,857	-$188,791	-$56,676	$0	-$56,676
11020 Required Annual Debt Principal Payments	$27,803	$0	$0	$0	$27,803	$0	$27,803
11030 Beginning Equity	$929,480	$0	-$66,239	$3,285,631	$4,148,872	$0	$4,148,872
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$0	-$86,397	-$158,583	-$244,980	$0	-$244,980
11170 Administrative Fee Equity	$0	$0	-$83,215	$0	-$83,215	$0	-$83,215
11180 Housing Assistance Payments Equity	$0	$0	$63,436	$0	$63,436	$0	$63,436
11190 Unit Months Available	180	0	3,552	1,200	4,932	0	4,932
11210 Number of Unit Months Leased	174	0	3,436	1,155	4,765	0	4,765
11270 Excess Cash	$0	$0	$0	$3,976	$3,976	$0	$3,976
11650 Leasehold Improvements Purchases	$0	$0	$0	$53,621	$53,621	$0	$53,621

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

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	2018 FEDERAL EXPENDITURES
DIRECT FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Public and Indian Housing	14.850	$ 354,124
Section 8 Housing Choice Vouchers	14.871	1,673,347
Public Housing Capital Fund	14.872	121,843
Family Self-Sufficiency	14.896	40,774
TOTAL FEDERAL AWARDS EXPENDITURES		$ 2,190,088

See accompanying notes to this schedule.

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2018. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ended December 31, 2018.

NOTE E – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended December 31, 2018.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended December 31, 2018.

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

June 28, 2019

Logan County Metropolitan Housing Authority
Logan County
116 North Everett Street
Bellefontaine, Ohio 43311

To the Director and 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 **Logan County Metropolitan Housing Authority,** Logan County, (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 28, 2019, wherein we noted the Authority adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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.

Internal Control Over Financial Reporting (Continued)

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider significant deficiencies. We consider findings 2018-001 and 2018-002 to be significant deficiencies.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2018-001 and 2018-002.

We did note a certain matter not requiring inclusion in this report that we reported to the Authority’s management in a separate letter dated June 28, 2019.

Authority*’s Response to Findings*

The Authority’s responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the Authority’s responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Perry & Associates CPA's A.C.

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Marietta, Ohio

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 28, 2019

Logan County Metropolitan Housing Authority
Logan County
116 North Everett Street
Bellefontaine, Ohio 43311

To the Director and Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited **Logan County Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying 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 opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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).

Auditor's Responsibility (Continued)

These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of audit findings as items 2018-003 and 2018-004. Our opinion on the major federal program is not modified with respect to these matters.

The Authority's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not subject the Authority's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

Report on Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of audit findings as item 2018-003 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of audit findings as item 2018-004 to be a significant deficiency.

The Authority's response**s** to our internal control over compliance findings are described in the accompanying corrective action plan. We did not subject the Authority's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY
LOGAN COUNTY

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF AUDIT RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	Yes
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR§200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Section 8 Housing Choice Vouchers, CFDA # 14.871
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2018

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

FINDING NUMBER 2018-001

Significant Deficiency/Noncompliance

26 U.S.C. Section 3402 requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

In addition, **Ohio Rev. Code Section 5747.06** requires every employer maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a reasonable estimate of the amount of state income tax which will be due.

Due to lack of funds, the Authority did not remit tax withholdings to the IRS timely for a substantial portion of the year. As of March 2019, all amounts due to the IRS for fiscal year 2018 have been paid, including penalties and interest.

We recommend the Authority remit the required amounts and file the required reports when due to avoid accrual of interest and penalties.

Management's Response – See Corrective Action Plan.

FINDING NUMBER 2018-002

Significant Deficiency/Noncompliance

Ohio Rev. Code Section 145.47 states the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the public employees retirement system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions within thirty days after the last day of such reporting period.

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2018

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

FINDING NUMBER 2018-002 (Continued)

Significant Deficiency/Noncompliance (Continued)

The Authority did not submit the monthly OPERS reports for four months in 2018 timely. This resulted in the Authority owing and paying OPERS late filing fees. As of December 31, 2018, all reports have been submitted.

We recommend the Authority take the care necessary to ensure OPERS contributions are being remitted timely and in the correct amount to avoid accrual of interest and penalties.

Management's Response – See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	**2018-003**
CFDA Title and Number	**14.871 – Section 8 Housing Choice Vouchers**
Federal Award Identification Number/Year	**2018**
Federal Agency	**U.S. Department of Housing and Urban Development**
Compliance Requirement	**Eligibility – Recertification of Family Income and Composition**
Pass-Through Entity	**None - Direct**
Repeat Finding from Prior Audit?	**No**

Noncompliance/Material Weakness

Criteria: The U.S. Department of Housing and Urban Development (HUD) requires the Authority to reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification (24 CFR section 982.516). Failure to complete annual recertification could result in changes in family income and composition to go unnoticed, which could result in improperly calculated housing assistance payments.

Context: The Authority did not complete the annual recertification timely for two of the tenant files tested.

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2018

3. FINDINGS FOR FEDERAL AWARDS (CONTINUED)

Finding Number	**2018-003 (Continued)**
CFDA Title and Number	**14.871 – Section 8 Housing Choice Vouchers**
Federal Award Identification Number/Year	**2018**
Federal Agency	**U.S. Department of Housing and Urban Development**
Compliance Requirement	**Eligibility – Recertification of Family Income and Composition**
Pass-Through Entity	**None - Direct**
Repeat Finding from Prior Audit?	**No**

Cause: The Authority dealt with turnover of the Section 8 Director in fiscal year 2018. The Finance Director completed the duties of the Section 8 Director until a part-time interim Section 8 Director was hired.

Effect: The Authority fell behind in performing annual recertification of family income and composition.

Recommendation: We recommend the Authority implement a system to ensure that the annual recertification of family income and composition is performed timely for all tenants.

Management's Response – See Corrective Action Plan.

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2018

3. FINDINGS FOR FEDERAL AWARDS (CONTINUED)

Finding Number	**2018-004**
CFDA Title and Number	**14.871 – Section 8 Housing Choice Vouchers**
Federal Award Identification Number/Year	**2018**
Federal Agency	**U.S. Department of Housing and Urban Development**
Compliance Requirement	**Eligibility and Special Tests and Provisions – Maintaining Tenant Documentation**
Pass-Through Entity	**None - Direct**
Repeat Finding from Prior Audit?	**No**

Noncompliance/Significant Deficiency

Criteria: Tenant files should be maintained in accordance with HUD guidelines and the Administrative Plan.

Context: During the testing of tenant files, we noted the following:

- For one tenant file tested, income support in the tenant file was for a different tenant and the support for the tenant tested was maintained in a third tenant's file;
- For two tenant files tested, the lease agreement was not maintained in the tenant's file, however, it was subsequently provided;
- For three tenant files tested, rent reasonableness documentation was not maintained in the tenant's file, however, it was subsequently provided;
- For four tenant files tested, the utility allowance calculation was not maintained in the tenant's file, however, it was subsequently provided;
- For one tenant file tested, the HAP contract was not signed; and
- For one tenant file tested, the utility allowance calculation was incorrect due to an error in the bedroom size used to calculate the allowance.

Cause: The Authority dealt with turnover of the Section 8 Director in fiscal year 2018. The Finance Director completed the duties of the Section 8 Director until a part-time interim Section 8 Director was hired.

Effect: Procedures and controls relating to tenant files processing were inadequate. Tenant supporting documentation was misplaced.

Recommendation: We recommend the Authority implement a system to ensure that tenant files are maintained in accordance with HUD guidelines and the Administrative Plan. Upon implementation of this system, the risk of potential overcharges and files being processed inadequately will be significantly reduced.

Management's Response – See Corrective Action Plan.

LOGAN METROPOLITAN HOUSING AUTHORITY
116 NORTH EVERETT STREET
BELLEFONTAINE, OHIO 43311-1132

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Authority's financial and staffing problems have improved eliminating most of the issues that caused the late filing and payments. We will also create a payroll processing checklist and utilize electronic reminders to prevent anything being overlooked.	7/1/2019	Jean Wilkins
2018-002	The Authority's financial and staffing problems have improved eliminating most of the issues that caused the late filing and payments. We will also create a payroll processing checklist and utilize electronic reminders to prevent anything being overlooked.	7/1/2019	Jean Wilkins
2018-003	LCMHA completed 92% of the annual recertifications timely; however, LCMHA will be more diligent in ensuring every recertification is completed timely. LCMHA will run monthly reports to track outstanding recertifications and will follow steps in the Administrative Plan when residents fail to provide the required paperwork.	7/1/2019	Joy Alane Bankston
2018-004	LCMHA will create a file order checklist to ensure all required documents are in the files and that the files are maintained in accordance with HUD guidelines and the Administrative Plan. LCMHA will conduct file audits quarterly to ensure that the files are maintained in accordance with HUD guidelines and the Administrative Plan.	8/1/2019	Joy Alane Bankston

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OHIO AUDITOR OF STATE
KEITH FABER

LOGAN COUNTY METROPOLITAN HOUSING AUTHORITY

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 5, 2019