ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

James G. Zupka, CPA, Inc.

Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

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Board Members
Zanesville Metropolitan Housing Authority
407 Pershing Road
Zanesville, Ohio 43701

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

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

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

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

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Coopermill Manor, LP, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. The statements of the discretely presented component unit were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the Zanesville Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgz@jgzcpa.com, c=US
Date: 2019.06.26 17:58:17 -04'00'

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

June 19, 2019

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The following discussion and analysis of the Zanesville Metropolitan Housing Authority (the Authority) is to provide an introduction to the basic financial statements for the period ended December 31, 2018, with selected comparative information for the period ended December 31, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflow of resources of the Authority exceeded its liabilities and deferred inflow of resources at December 31, 2018 by $10,897,160 (net position). Of this amount, $4,257,540 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.

- Net position decreased by $395,210 but unrestricted net position increased $51,562.

- The Authority implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting)* causing a restatement of beginning net position that is $1,235,555 less than net position reported at December 31, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

AUTHORITY ACTIVITY HIGHLIGHTS

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

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

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

<u>Housing Choice Voucher Program (Section 8)</u>
The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons. Under the Program, independent landlords rent units to eligible low-income families and the Authority provides a Housing Assistance Payment to the landlord to make the rental affordable.

HUD provides funding through an Annual Contributions Contract to enable the Authority to structure a lease that sets the participants' rents at about 30 percent of household income.

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

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

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

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

Component Unit
The Coopermill Manor Limited Partnership is an Ohio Limited Partnership created by the Authority under HUD's Rental Assistance Demonstration Program for the purpose of providing low income housing. The 324 units of what was formerly the Authority's Public Housing AMP 1 have been converted to Project Based Rental Assistance units (PBRA) under the oversight of HUD's Office of Multifamily Housing and transferred to Coopermill Manor LP. Coopermill Manor LP owns the units and the Zanesville Metropolitan Housing Authority manages the units.

FINANCIAL POSITION

The statement of net position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is the difference between total assets and deferred outflows of resources, and total liabilities and total inflows of resources, and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison at December 31, 2018 and 2017:

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

	2018	2017 Restated
Assets and Deferred Outflows of Resources		
Assets		
Current and Other Assets	$ 7,357,448	$ 6,601,999
Capital Assets	6,947,816	7,468,652
Other Non-Current Assets	777,029	1,177,842
Deferred Outflows of Resources	512,297	1,024,933
Total Assets and Deferred Outflows of Resources	$ 15,594,590	$ 16,273,426
Liabilities, Deferred Inflows of Resources, and Net Posiiton		
Liabilities		
Current Liabilites	$ 396,863	$ 347,954
Long-Term Liabilities	3,607,946	4,566,181
Total Liabilities	4,004,809	4,914,135
Deferred Inflows of Resources	692,621	66,921
Net Position		
Net Investment in Capital Assets	6,569,334	7,072,414
Restricted Net Position	70,286	13,978
Unrestricted Net Position	4,257,540	4,205,978
Total Net Position	10,897,160	11,292,370
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 15,594,590	$ 16,273,426

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

Current assets increased by a little more than $775,000 (more than 11%). More than $420,000 of the increase was from the receipt of a developer fee the Authority earned related to rehab of Coopermill Manor, a former public housing development the Authority converted under HUD's Rental Assistance Demonstration program (commonly referred to as RAD) in recent years. Under RAD, the property was converted to a property with project based rental assistance and is now owned by an affiliate of ZMHA, Coopermill Manor, LP. Under the conversion the new owner was able to leverage the assets of the former public housing development to obtain funding to rehab and modernize the property, an option not available to the property under the public housing program. And ZMHA was able to earn a developer fee for its role in the rehab process. The remainder of the increase in current assets is a reflection of favorable operating results in the period.

The reduction in capital assets is about equal to depreciation expense in the period because capital additions were minimal. The drop in non-current assets is related to the receipt of the developer fee referred to in the above. It had been classed as non-current at the prior year-end because receipt in the period was not a certainty.

Other notable changes were to deferred outflow of resources, deferred inflow of resources and non-current liabilities, all primarily due to reporting of pension and other postemployment benefits (OPEB) activity required by GASB 68 and GASB 75. GASB 68 and GASB 75 are accounting standards that essentially require Zanesville Metropolitan Housing Authority to report what is determined to be its share of the unfunded pension and health insurance liability of the pension system, the Ohio Public Employees Retirement System (OPERS). Employees of Zanesville MHA are required by state law to be members of PERS, and Zanesville MHA is required to make retirement contributions to OPERS for all of its employees. The Net Pension and Health Insurance Liability is unlike other liabilities the agency has in that these liabilities do not represent invoices to be paid by the agency but rather is an attempt to estimate the extent to which contributions to OPERS would have to increase in order for OPERS to fully fund its pension and healthcare obligations. GASB 68 was implemented a few years ago. GASB 75 is implemented with this reporting period. In addition to the impact on deferred outflow of resources, deferred inflow of resources, and non-current liabilities, the implementation of GASB 75 also caused net position to be restated as of December 31, 2017 by a value of $1,235,155 less than what it was reported in last year's report.

Statement of Revenues, Expenses, and Changes in Net Position

The following is a summary of the results of operations of the Authority for the fiscal years ended December 31, 2018 and 2017.

	2018	2017
Revenues		
Tenant	$ 911,934	$ 1,224,491
Subsidies	5,806,948	8,748,265
Capital Grants	74,220	56,531
Interest	23,122	22,109
Other	396,273	2,935,975
Total Revenues	7,212,497	12,987,371
Expenses		
Administrative	1,421,527	2,025,972
Tenant Services	295,020	432,044
Utilities	215,295	286,672
Maintenance	1,164,927	2,434,481
Insurance and General	263,737	403,668
HAP	3,624,667	5,280,590
Depreciation	622,534	934,712
Total Expenses	7,607,707	11,798,139
Special Item	0	0
Change in Net Position	(395,210)	1,189,232
Beginning Net Position	11,292,370	N/A
Prior Period Adjustment	0	(9,300,000)
Ending Net Position	$ 10,897,160	$ 11,292,370

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

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

The large changes in total revenues and total expenses is because year-end 12/31/17 was an 18-month period, so this period is a return to more normal revenue and expense balances. For the reporting period ended 12/31/17, ZMHA converted from a June 30 year-end to a December 31 year-end and, as a result to affect the conversion, ZMHA had a one-time 18-month fiscal period and it was the period ended December 31, 2017. The one particularly large change not primarily caused by this reporting period being 6 months shorter than the previous is the drop in other revenue which was more than $2.5 million. The reason for that drop was that the revenue in 12/31/17 was unusually large because ZMHA recorded the developer fees earned from the conversion of Coopermill Manor under HUD's RAD initiative.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal year ended December 31, 2018:

	2018
Owned by Authority	350
Units Under Vouchers	939
Units Under Shelter Plus Care	9
Total Housing Units Managed	1,298

Capital Assets

Capital assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2018 and changes from December 31, 2017:

Table 3 - Capital Assets

	2018
Land and Land Rights	$ 1,160,622
Buildings and Improvements	26,607,112
Equipment	1,533,399
Accumulated Depreciation	(22,353,317)
Total	$ 6,947,816
Capital Assets Activity	
Capital Assets, Net at December 31, 2017	$ 7,468,652
Capital Additions in this Period	101,698
Depreciation Expense	(622,534)
Capital Assets, Net at December 31, 2018	$ 6,947,816

Debt Administration

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

Outstanding Principal Balance as of December 31, 2017	$ 396,238
Less:	
Principal Payments made during the Year	(17,756)
Outstanding Principal Balance as of December 31, 2018	$ 378,482

Economic Factors

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

Request for Information

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government	Component Unit
Assets and Deferred Outflows of Resources		
Assets		
Current Assets		
Cash and Cash Equivalents	$ 5,763,793	$ 264,224
Restricted Cash and Cash Equivalents	311,771	2,440,387
Investments	935,584	0
Receivables, Net of Allowance	92,038	13,585
Inventory, Net of Allowance	150,479	0
Prepaid Expenses and Other Assets	103,783	48,528
Total Current Assets	7,357,448	2,766,724
Capital Assets		
Non-Depreciable Capital Assets	1,160,622	0
Depreciable Capital Assets, Net	5,787,194	20,619,521
Total Capital Assets	6,947,816	20,619,521
Non-Current Assets		
Note Receivable	590,678	0
Other Assets	186,351	11,019,167
Total Non-Current Assets	777,029	11,019,167
Deferred Outflows of Resources		
Pension	422,323	0
OPEB	89,974	0
Total Deferred Outflows of Resources	512,297	0
Total Assets and Deferred Outflows of Resources	$ 15,594,590	$ 34,405,412
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts Payable	$ 120,602	$ 175,096
Accrued Interest Payable	0	$ 102,490
Accrued Liabilities	115,435	7,997
Tenant Security Deposits	137,872	75,914
Unearned Revenue	4,475	6,964
Bonds, Notes, and Loans Payable	18,479	132,251
Total Current Liabilities	396,863	500,712
Non-Current Liabilities		
Accrued Compensated Absences - Non-Current	302,687	0
Non-Current Liabilities - Other	103,613	0
Net Pension Liability	1,636,265	0
OPEB Liability	1,205,378	0
Long-Term Debt - Notes Payable and Loans	360,003	23,319,287
Total Non-Current Liabilities	3,607,946	23,319,287
Total Liabilities	4,004,809	23,819,999
Deferred Inflows of Resources		
Pension	513,870	0
OPEB	178,751	0
Total Deferred Inflows of Resources	692,621	0
Net Position		
Net Investement in Capital Assets	6,569,334	7,867,983
Restricted Net Position	70,286	2,364,473
Unrestricted Net Position	4,257,540	352,957
Total Net Position	10,897,160	10,585,413
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 15,594,590	$ 34,405,412

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PRIMARY GOVERNMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Government Grants	$ 5,806,948
Tenant Revenue	911,934
Other Revenue	396,273
Total Operating Revenues	7,115,155
Operating Expenses	
Administrative	1,421,527
Tenant Services	295,020
Utilities	215,295
Maintenance	1,164,927
Insurance	130,033
General and Protective Services	117,836
Housing Assistance Payments	3,624,667
Depreciation	622,534
Total Operating Expenses	7,591,839
Operating Income (Loss)	(476,684)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	23,122
Interest Expense	(15,868)
Total Non-Operating Revenues (Expenses)	7,254
Income (Loss) Before Capital Grants	(469,430)
Capital Grants	74,220
Change in Net Position	(395,210)
Total Net Position, Beginning of Year - Restated	11,292,370
Total Net Position - End of Year	$ 10,897,160

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Tenant Revenue	$ 2,353,331
Other Revenue	321,865
Total Operating Revenues	2,675,196
Operating Expenses	
Administrative	436,612
Utilities	586,364
Maintenance	429,051
Insurance	112,034
General and Protective Services	172,385
Depreciation	749,871
Total Operating Expenses	2,486,317
Operating Income (Loss)	188,879
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	556
Interest and Amortization Expense	(512,101)
Total Non-Operating Revenues (Expenses)	(511,545)
Income (Loss) Before Capital Grants	(322,666)
Capital Contributions	1,125,423
Change in Net Position	802,757
Total Net Position, Beginning of Year	9,782,656
Total Net Position - End of Year	$ 10,585,413

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF CASH FLOWS
PRIMARY GOVERNMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities		
Cash Received from HUD/Other Governments	$	5,741,904
Cash Received from Tenants		910,787
Cash Payments for Housing Assistance		(3,624,667)
Cash Payments for Administrative Expenses		(1,312,082)
Other Operating Expenses		(1,900,245)
Cash Received - Other Expenses		463,824
Net Cash Provided by Operating Activities		279,521
Cash Flows from Capital and Related Financing Activities		
Capital Grants Received		74,220
Acquisition of Capital Assets		(101,698)
Principal Payment on Debt		(17,756)
Interest Paid on Debt		(15,868)
Net Cash (Used for) Capital and Other Related Activities		(61,102)
Cash Flows from Investing Activities		
Interest and Investment Income Received		23,122
Investment Purchase		(12,624)
Note Receivable Receipts		422,035
Net Cash Provided from Investing Activities		432,533
Net Increase in Cash		650,952
Cash and Cash Equivalents - Beginning of Year		5,424,612
Cash and Cash Equivalents - End of Year	$	6,075,564
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	$	(476,684)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation		622,534
(Increase) Decrease in:		
Accounts Receivable		(66,378)
Inventory, Net of Allowance		(19,915)
Prepaid and Other Assets		(26,802)
Deferred Outflows of Resources		512,636
Increase (Decrease) in:		
Accounts Payable		61,170
Accrued Liabilities/Unearned Revenue		(15,020)
Accrued Compensated Absences and Other Non-Current		49,300
Tenant Security Deposits		2,306
Deferred Inflows of Resources		625,700
Accrued Pension and OPEB Liabilities		(989,326)
Net Cash Provided by Operating Activities	$	279,521

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY, OHIO
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities		
Cash Received from Tenant/Other	$	2,674,910
Cash Used for Administrative Expenses		(436,379)
Cash Used for Other Expenses		(1,638,935)
Net Cash Provided by Operating Activities		599,596
Cash Flows from Capital and Related Financing Activities		
Interest Expenses		(465,862)
Proceeds from Mortgage Payable		1,173,256
Principal Payments Payable		(224,355)
Capital Contributions		1,125,423
Payment of Developer Fee		(1,125,423)
Additions to Capital Assets		(646,064)
Net Cash Provided by Financing Activities		(163,025)
Cash Flows from Investing Activities		
Interest Income		556
Net Cash Provided from Investing Activities		556
Net Increase in Cash		437,127
Cash and Cash Equivalents - Beginning of Year		2,267,487
Cash and Cash Equivalents - End of Year	$	2,704,614
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	$	188,879
Adjustments to Reconcile Net Income to Net Cash Cash Provided by Operating Activities:		
Depreciation		749,871
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Payable - Trade		(337,054)
Decrease in Accounts Receivable		2,751
Increase in Prepaid Rent		(5,607)
Increase in Prepaid Expenses		(2,047)
Increase in Security Deposits Payable		2,570
Increase in Accrued Expenses		233
Net Cash Provided by Operating Activities	$	599,596

See accompanying notes to the basic financial statements.

NOTE 1: **REPORTING ENTITY**

Introduction

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

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

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

Description of Programs

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

A. **Public Housing Program**

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

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

Description of Programs (Continued)

B. **Capital Fund Program**

The Capital Fund Program provides funds annually, via a formula, to public housing agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

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

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

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

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

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

Grants funded by HUD that are intended to programs help residents work toward self-sufficiency and economic independence and move from welfare to work.

F. **Business Activity**

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

G. **Discretely Presented Component Unit**

Coopermill Manor is an Ohio Limited Partnership that was created for the purpose of providing low income housing. The 324 units have been converted to Project Based Rental Assistance units (PBRA) under the HUD's Office of Housing Multifamily. The Authority staff operates and manages the units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

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

Investments
The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the period ending December 31, 2018 totaled $23,122.

Capital Assets
Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of $5000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

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

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

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

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

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

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

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

Compensated Absences

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

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

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

Budgets and Budgetary Accounting

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) 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 5 and 6.

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 5 and 6.

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

Pensions/Other Postemployment Benefits (OPEB)
For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

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

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

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

GASB Statement No. 33 establishes two distinct standards upon the kind of stipulation imposed by the provider.

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

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

Change in Accounting Principle

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

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

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	$ 12,527,525
Adjustments:	
Net OPEB liability	(1,252,442)
Deferred Outflow - Payments Subsequent to Measurement Date	17,287
Restated Net Position December 31, 2017	$ 11,292,370

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

At December 31, 2018, the carrying amount of the Authority's deposits totaled $7,011,148 and its bank balance was $7,012,623. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2018, $5,773,010 was exposed to custodial risk as discussed below, while $1,239,613 was covered by the Federal Depository Insurance Corporation.

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

Investments

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

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

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

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

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

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

A reconciliation of cash and investments as shown on the Statement of Net Position at December 31, 2018 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	$ 5,763,793
Cash - Restricted	311,771
Investments - Unrestricted	935,584
Total	$ 7,011,148
Carrying Amount of Deposits	$ 7,011,148
Total	$ 7,011,148

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

Restricted cash of $2,440,387 includes cash held with financial institutions for refunds of tenant security deposits, repairs or improvement to the buildings which extend their useful lives, funding of the working capital reserve, funds in connection with the Bonds and annual insurance payments and funds held in connection with the mortgage.

NOTE 4: **ACCOUNT RECEIVABLES**

As of December 31, 2018, due from tenants and clients was $42,887, with an allowance for doubtful accounts of $29,406. In addition, the Authority has a receivable from HUD of $72,153 and other receivables in the amount of $6,404.

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 $212,347 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	0.011355%	0.04583%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.010430%	0.03483%	
Change in Proportionate Share	-0.000925%	-0.01100%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 1,636,265	$ (47,411)	$ 1,588,854
Pension Expense	$ 271,803	$ 8,649	$ 280,452

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

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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	$ 1,672	$ 0	$ 1,672
Changes of assumptions	195,544	4,143	199,687
Changes in proportion and differences between Authority contributions and proportionate share of contributions	0	8,617	8,617
Authority contributions subsequent to the measurement date	192,378	19,969	212,347
Total Deferred Outflows of Resources	$ 389,594	$ 32,729	$ 422,323
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 351,283	$ 7,482	$ 358,765
Differences between expected and actual experience	32,245	14,123	46,368
Changes in proportion and differences between Authority contributions and proportionate share of contributions	108,238	499	108,737
Total Deferred Inflows of Resources	$ 491,766	$ 22,104	$ 513,870

$212,347 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Year Ending December 31:			
2019	$ 87,124	$ (1,384)	$ 85,740
2020	(82,638)	(1,588)	(84,226)
2021	(154,688)	(3,262)	(157,950)
2022	(144,348)	(3,088)	(147,436)
2023	0	(460)	(460)
Thereafter	0	438	438
Total	$ (294,550)	$ (9,344)	$ (303,894)

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

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

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

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

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

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

Actuarial Assumptions – OPERS (Continued)

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:

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 %

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

Actuarial Assumptions – OPERS (Continued)

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	$ 2,905,589	$ 1,636,265	$ 578,031
Combined Plan	$ (25,772)	$ (47,411)	$ (62,340)

Changes Between Measurement Date and Report Date

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

NOTE 6: **DEFINED BENEFIT OPEB PLANS**

Net OPEB Liability

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

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

Net OPEB Liability (Continued)

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.

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

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

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

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.

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.

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

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

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.

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

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

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

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

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 2017. The Authority's contractually required contribution was $1,270 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	0.012400%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.011100%
Change in Proportionate Share	-0.001300%
Proportionate Share of the Net OPEB Liability	$ 1,205,378
OPEB Expense	$ 60,270

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 expencted and actual experience	$ 939
Changes of assumptions	87,765
Authority contributions subsequent to the measurement date	1,270
Total Deferred Outflows of Resources	$ 89,974
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 89,793
Changes in proportion and differences between Authority contributions and proportionate share of contributions	88,958
Total Deferred Inflows of Resources	$ 178,751

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

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

$1,270 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

		OPERS
Year Ending December 31:		
2019	$	(22,571)
2020		(22,571)
2021		(22,456)
2022		(22,449)
Total	$	(90,047)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between 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. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	
Current Measurement Date	3.85 percent
Prior Measurement Date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial; 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

Actuarial Assumptions – OPERS (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 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.

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:

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

Actuarial Assumptions – OPERS (Continued)

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

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

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

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 1,601,397	$ 1,205,378	$ 885,003

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

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

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 1,153,290	$ 1,205,378	$ 1,259,184

Changes Between Measurement Date and Report Date

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

NOTE 7: **NON-CURRENT ASSETS**

Development Loan

On November 1, 2015, The Authority entered into a loan with Coopermill Manor LP (the Partnership) in the amount of $450,000 to fund the development of the Project (the "Development Loan"). The Development Loan bears an interest rate of 2 percent per annum. Principal and interest payments are due and payable no later than 120 days following the end of each fiscal year for any year in which there has been Cash Flow, as defined in the Partnership Agreement. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of December 31, 2055. The Development Loan is secured by the Loan Documents, as defined in the development note. As of December 31, 2018, the Development Loan had an outstanding balance of $450,000, and accrued interest receivable of $27,000. Due to uncertainty of future principal and interest payments on the Development loan, interest will be recognized when received.

NOTE 7: **NON-CURRENT ASSETS** (Continued)

Development and Fee Receivable

On November 1, 2015, The Authority and PIRHL Developers, LLC entered into the Development Agreement with the Coopermill Manor for services rendered in overseeing the Development of the project. As of December 31, 2018, the outstanding balance of the development fee to be paid to The Authority was $140,678.

Discretely Presented Component Unit

Contingent Ground Lease

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

Deferred Charges and Amortization

Deferred charges include tax credit fees of $319,167. Tax credit fees are amortized on a straight-line basis over the 15-year tax credit period (the "Compliance Period"). Amortization expense for the year ended December 31, 2018 was $24,483.

NOTE 8: **CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital Assets Not Being Depreciated				
Land	$ 1,160,622	$ 0	$ 0	$ 1,160,622
Total Capital Assets Not Being Depreciated	1,160,622	0	0	1,160,622
Capital Assets Being Depreciated				
Buildings and Improvements	26,548,816	58,296	0	26,607,112
Equipment and Vehicles	1,489,997	43,402	0	1,533,399
Total Capital Assets Being Depreciated	28,038,813	101,698	0	28,140,511
Accumulated Depreciation				
Buildings and Improvements	(20,332,062)	(590,434)	0	(20,922,496)
Equipment and Vehicles	(1,398,721)	(32,100)	0	(1,430,821)
Total Accumulated Depreciation	(21,730,783)	(622,534)	0	(22,353,317)
Depreciable Assets, Net	6,308,030	(520,836)	0	5,787,194
Total Capital Assets, Net	$ 7,468,652	$ (520,836)	$ 0	$ 6,947,816

NOTE 8: **CAPITAL ASSETS** (Continued)

Discretely Presented Component Unit
The following is a summary of changes in capital assets:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital Assets Being Depreciated				
Buildings	$ 18,087,130	$ 646,064	$ 0	$ 18,733,194
Furniture for Project/Tenant Use	1,893,922	0	0	1,893,922
Miscellaneous Fixed Asests	1,858,840	0	0	1,858,840
Subtotal Capital Assets Being Depreciated	21,839,892	646,064	0	22,485,956
Accumulated Depreciation	(1,116,564)	(749,871)	0	(1,866,435)
Total Depreciable Capital Assets, Net	$ 20,723,328	$ (103,807)	$ 0	$ 20,619,521

NOTE 9: **LONG-TERM DEBT**

Loan Payable - Century National Bank
The Authority has an outstanding note payable with Century National Bank of $378,482, as of December 31, 2018. The original note was for $843,000 dated June 1, 2002, to be used for construction of a daycare facility known as Careytown Day Care Center. The note was refinanced in year-end June 30, 2014, an interest rate of 4 percent fixed rate for five years with a variable rate thereafter. The loan is amortized over a 20-year period.

Year Ended December 31	Principal	Interest	Total
2019	$ 18,479	$ 15,145	$ 33,624
2020	19,201	14,423	33,624
2021	20,036	13,588	33,624
2022	20,864	12,760	33,624
2023	21,726	11,898	33,624
2024-2028	122,801	45,318	168,119
2029-2033	150,405	17,714	168,119
2034	4,970	57	5,027
Totals	$ 378,482	$ 130,903	$ 509,385

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	Primary Government				
	Balance at 12/31/2017	Issued	Retired	Balance at 12/31/2018	Due within One Year
Long-Term Liabilities					
Loan Payable	$ 396,238	$ 0	$ (17,756)	$ 378,482	$ 18,479
FSS Escrows	96,895	70,226	(63,508)	103,613	0
Accrued Compensated Absences	279,240	176,076	(147,699)	307,617	4,930
Net Pension Liability	2,578,527	0	(942,262)	1,636,265	0
OPEB Liability	1,252,442	0	(47,064)	1,205,378	0
	$ 4,603,342	$ 246,302	$ (1,218,289)	$ 3,631,355	$ 23,409

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

Discretely Presented Component Unit

Development

On November 1, 2015, the Partnership entered into a loan with Zanesville Metropolitan Housing Authority in the amount of $450,000 to fund the development of the Project (the "Development Loan"). The Development Loan bears an interest rate of 2 percent per annum. Principal and interest payments are due and payable no later than 120 days following the end of each fiscal year for any year in which there has been Cash Flow, as defined in the Partnership Agreement. Any outstanding principal and accrued but unpaid interest shall be due on its maturity date of December 31, 2055. The Development Loan is secured by the Loan Documents, as defined in the development note. As of December 31, 2018, the Development Loan had an outstanding balance of $450,000. Due to uncertainty of future principal and interest on the Development Loan, interest will be expensed when payments are made. As of December 31, 2018, accrued interest payable totaled $27,000. Because payments on this debt is subject to available cash flow, future payments cannot be projected.

Seller Loan

On November 1, 2015, the Partnership entered into a loan with Zanesville Metropolitan Housing Authority in the amount of $10,700,000 related to ZMHA's transfer of a leasehold interest in the Project (the "Seller Loan"). The Seller Loan bears an interest rate at of 5 percent per annum, compounding annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. Due to the uncertainty of future principal and interest payments on the Seller Loan, interest will be expensed when payments are made. At December 31, 2018, the principal balance is $10,700,000 and cumulative unrecorded and unpaid interest is $1,789,809. Because payments on this debt is subject to available cash flow, future payments cannot be projected.

Permanent Loan

On November 1, 2015, the Partnership entered into an FHA-insured mortgage loan with Red Mortgage in the amount of $12,030,100 to fund the construction or rehabilitation of the Project on the ground leased land (the "Permanent Loan"). The Permanent Loan bears an interest rate of 3.98 percent, per annum. Beginning December 1, 2015 through July 1, 2017, interest only payments are due and payable monthly. Beginning August 1, 2017, interest and principal payments are due and payable monthly on the 1st day of each month over the term of the Permanent Loan in the amount of $50,129. All unpaid accrued interest and principal are due payable on the maturity date of July 1, 2057. The Permanent Loan is secured by, among other thing, a first mortgage, deed to secure debt or deed of trust. For the year ended December 31, 2018, interest incurred was $463,893. As of December 31, 2018, accrued interest on the Permanent Loan totaled $37,329.

NOTE 9: **LONG-TERM DEBT**

HDAP Loan

On November 1, 2015, the Partnership entered into a loan with Zanesville MHA and Ohio Housing Finance Agency in the amount of $750,000 to fund the development of the Project (the "HDAP Loan"). The HDAP Loan bears an interest rate of 2 percent, per annum, compounding semi-annually, and matures on December 31, 2055. On December 6,2018, an affiliate of the General Partner made a principal payment on the HDAP loan in the amount of $224,385. Principal and interest payments shall be due and payable to the extent of available Cash Flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. For the year ended December 31, 2018, interest incurred was $12,756. As of December 31, 2018, accrued interest on the HDAP Loan totaled $38,161.

Mortgages payable consists of the following as of December 31, 2018:

Permanent Loan	$ 11,851,515
HDAP Loan	525,615
Total Principal Balance	12,377,130
Less: Unamortized Debt Issuance Costs	(75,592)
Mortgages Payable, Net of Unamortized Debt Issuance Costs	$ 12,301,538

Debt issuance costs are being amortized to interest expense over the term of the mortgages. During 2018, interest expense for debt issuance costs was $577,017, of which $1,969 was expensed and $575,048 was capitalized. Accumulated amortization as of December 31, 2018, was $611,497. For the year ended December 31, 2018, the effective interest rate of the Permanent Loan, which includes interest expense and amortization of debt issuance costs, was 4.30 percent.

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

2019	$ 132,251
2020	137,612
2021	143,190
2022	148,994
2023	155,034
Thereafter	11,660,049
Total	$ 12,377,130

NOTE 10: **ECONOMIC DEPENDENCY**

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

NOTE 11: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ending December 31, 2018, the Authority maintained comprehensive insurance coverage with private carriers for health, real estate property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 12: GROUND LEASE AGREEMENT AND SELLER FINANCING

On November 2, 2015, the Authority entered into a loan with the Coopermill Manor Partnership in the amount of $10,700,000 related to the Authority's transfer of a leasehold interest in the Project (the "Seller Loan"). An operating lease was also reported between the parties so that the entire $10,700,000 represented a prepaid lease to the Authority. The Seller Loan bears an interest rate at of 5 percent per annum, compounding annually, and matures on December 31, 2055. Principal and interest payments shall be due and payable to the extent of available cash flow as defined in the Partnership Agreement. Upon maturity, all outstanding principal and accrued but unpaid interest shall be due and payable in full. As of December 31, 2018, the Seller Loan had an outstanding balance of $10,700,000, and the cumulative unrecorded and unpaid interest is $1,789,809. Due to the uncertainty of future principal and interest payments on the Seller Loan, the note receivable and corresponding prepaid lease are not reported on the financial statements of the Authority, and interest will be recognized when it is received. The component unit's Statement of Net Position contains the Seller Loan payable of $10,700,000, but this amount is offset by a prepaid ground lease other asset in the same amount.

NOTE 13: SUBSEQUENT EVENTS

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

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

Traditional Plan	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.010430%	0.011355%	0.011620%	0.012276%	0.012276%
Authority's Proportionate Share of the Net Pension Liability	$ 1,636,265	$ 2,578,527	$ 2,012,729	$ 1,480,623	$ 1,447,180
Authority's Covered Payroll	$ 1,356,462	$ 1,335,950	$ 1,477,717	$ 1,526,892	$ 1,552,031
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	120.63%	193.01%	136.21%	96.97%	93.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

Combined Plan	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Asset	0.034827%	0.045827%	0.044480%	0.048646%	0.048646%
Authority's Proportionate Share of the Net Pension (Asset)	$ (47,411)	$ (25,506)	$ (21,644)	$ (18,730)	$ (5,104)
Authority's Covered Payroll	$ 164,846	$ 149,525	$ 161,100	$ 167,975	$ 166,723
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	28.76%	17.06%	13.44%	11.15%	3.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	104.33%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions										
Traditional Plan	$ 192,378	$ 176,340	$ 160,314	$ 177,326	$ 183,227	$ 201,764	[2]	[2]	[2]	[2]
Combined Plan	19,969	21,430	17,943	19,332	20,157	21,674	[2]	[2]	[2]	[2]
Total Required Contributions	$ 212,347	$ 197,770	$ 178,257	$ 196,658	$ 203,384	$ 223,438	$ 251,350	$ 258,747	$ 261,551	$ 251,542
Contributions in Relation to the Contractually Required Contribution	$ (212,347)	$ (197,770)	$ (178,257)	$ (196,658)	$ (203,384)	$ (223,438)	$ (251,350)	$ (258,747)	$ (261,551)	$ (251,542)
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority's Covered Payroll										
Traditional Plan	$ 1,374,129	$ 1,356,462	$ 1,335,950	$ 1,477,717	$ 1,526,892	$ 1,552,031	[2]	[2]	[2]	[2]
Combined Plan	142,636	164,846	149,525	161,100	167,975	166,723	[2]	[2]	[2]	[2]
Total Covered Payroll	$ 1,516,765	$ 1,521,308	$ 1,485,475	$ 1,638,817	$ 1,694,867	$ 1,718,754	$ 2,513,500	$ 2,587,470	$ 2,906,122	$ 2,959,318
Pension Contributions as a Percentage of Covered Payroll										
Traditional Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%
Combined Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	7.95%	7.95%	9.77%	9.27%

See accompanying notes to the required supplementary information

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

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.011100%	0.012400%
Authority's Proportionate share of the Net OPEB Liability	$ 1,205,378	$ 1,252,442
Authority's Covered Payroll	$ 1,572,929	$ 1,485,475
Authority's Proportionate share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.63%	84.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 1,270	$ 17,278	$ 29,710	$ 32,776	$ 25,423	$ 43,298	$ 98,745	$ 101,651	$ 102,764	$ 125,771
Contributions in Relation to the Contractually Required Contribution	(1,270)	(17,278)	(29,710)	(32,776)	(25,423)	(43,298)	(98,745)	(101,651)	(102,764)	(125,771)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered Payroll	$ 1,548,526	$ 1,572,929	$ 1,485,475 0	$ 1,638,817	$ 1,694,867	$ 1,718,754	$ 2,513,500	$ 2,587,470	$ 2,906,122	$ 2,959,318
Contributions as a Percentage of Covered Payroll	0.08%	1.10%	2.00%	2.00%	1.50%	2.50%	3.93%	3.93%	3.54%	4.25%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

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

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

Net OPEB Liability

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

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

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

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

OH168009501-10		
Funds Approved	$	1,213,811
Funds Expended		1,213,811
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	1,213,811
Funds Expended		1,213,811
Excess (Deficiency) of Funds Advanced	$	0
OH16P009501-11		
Fund Approved	$	1,043,199
Funds Expended		1,043,199
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	1,043,199
Funds Expended		1,043,199
Excess (Deficiency) of Funds Advanced	$	0
OH16P009501-12		
Fund Approved	$	936,068
Funds Expended		936,068
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	936,068
Funds Expended		936,068
Excess (Deficiency) of Funds Advanced	$	0
OH16P009501-13		
Fund Approved	$	915,529
Funds Expended		915,529
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	915,529
Funds Expended		915,529
Excess (Deficiency) of Funds Advanced	$	0
OH16P009501-14		
Fund Approved	$	967,722
Funds Expended		967,722
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	967,722
Funds Expended		967,722
Excess (Deficiency) of Funds Advanced	$	0

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

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

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

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

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,466,192	-	-	-	-	125,640	264,224	3,098,440	1,073,521	6,028,017		6,028,017
113 Cash - Other Restricted	3,112	-	-	-	-	170,787	2,364,473	-	-	2,538,372		2,538,372
114 Cash - Tenant Security Deposits	137,872	-	-	-	-	-	75,914	-	-	213,786		213,786
100 Total Cash	1,607,176	-	-	-	-	296,427	2,704,611	3,098,440	1,073,521	8,780,175	-	8,780,175
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-	-	72,153	72,153		72,153
125 Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	6,404	-	6,404		6,404
126 Accounts Receivable - Tenants	8,315	-	-	-	-	-	13,585	-	-	21,900		21,900
126.1 Allowance for Doubtful Accounts -Tenants	-500	-	-	-	-	-	-	-	-	-500		-500
128 Fraud Recovery	-	-	-	-	-	34,572	-	-	-	34,572		34,572
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-28,906	-	-	-	-28,906		-28,906
120 Total Receivables, Net of Allowances for Doubtful Accounts	7,815	-	-	-	-	5,666	13,585	6,404	72,153	105,623	-	105,623
131 Investments - Unrestricted	497,822	-	-	-	-	-	-	437,762	-	935,584		935,584
142 Prepaid Expenses and Other Assets	84,003	-	-	-	-	5,879	48,528	2,574	11,327	152,311		152,311
143 Inventories	-	-	-	-	-	-	-	-	171,979	171,979		171,979
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-	-	-21,500	-21,500		-21,500
144 Inter Program Due From	-	-	8,782	-	-	-	-	37,036	-	45,818	-45,818	-
150 Total Current Assets	2,196,816	-	8,782	-	-	307,972	2,766,724	3,582,216	1,307,480	10,169,990	-45,818	10,124,172
161 Land	1,024,522	-	-	-	-	-	-	116,100	20,000	1,160,622		1,160,622
162 Buildings	18,518,121	-	-	-	-	-	20,592,034	3,726,184	1,041,408	43,877,747		43,877,747
163 Furniture, Equipment & Machinery - Dwellings	226,200	-	-	-	-	-	1,893,922	-	211,222	2,331,344		2,331,344
164 Furniture, Equipment & Machinery - Administration	102,493	-	-	-	-	14,450	-	323,116	655,918	1,095,977		1,095,977
165 Leasehold Improvements	2,985,159	-	-	-	-	-	-	323,790	12,450	3,321,399		3,321,399
166 Accumulated Depreciation	-17,718,736	-	-	-	-	-14,450	-1,866,435	-3,173,444	-1,446,687	-24,219,752		-24,219,752
160 Total Capital Assets, Net of Accumulated Depreciation	5,137,759	-	-	-	-	-	20,619,521	1,315,746	494,311	27,567,337	-	27,567,337
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	11,019,167	590,678	-	11,609,845		11,609,845
174 Other Assets	6,638	-	-	-	-	6,638	-	64,772	108,303	186,351		186,351
180 Total Non-Current Assets	5,144,397	-	-	-	-	6,638	31,638,688	1,971,196	602,614	39,363,533	-	39,363,533
200 Deferred Outflow of Resources	71,721	-	-	-	-	71,724	-	71,724	297,128	512,297		512,297
290 Total Assets and Deferred Outflow of Resources	7,412,934	-	8,782	-	-	386,334	34,405,412	5,625,136	2,207,222	50,045,820	-45,818	50,000,002
312 Accounts Payable <= 90 Days	16,746	-	67	-	-	704	175,096	270	102,815	295,698		295,698
321 Accrued Wage/Payroll Taxes Payable	11,024	-	1,319	-	-	7,295	-	-	60,170	79,808		79,808
322 Accrued Compensated Absences - Current Portion	-	-	-	-	-	4,930	-	-	-	4,930		4,930
325 Accrued Interest Payable	-	-	-	-	-	-	102,490	-	-	102,490		102,490
341 Tenant Security Deposits	137,872	-	-	-	-	-	75,914	-	-	213,786		213,786
342 Unearned Revenue	4,475	-	-	-	-	-	6,964	-	-	11,439		11,439
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	-	132,251	18,479	-	150,730		150,730
345 Other Current Liabilities	-	-	-	-	-	-	233	19,007	-	19,240		19,240
346 Accrued Liabilities - Other	4,811	-	-	-	-	-	7,764	6,285	594	19,454		19,454
347 Inter Program - Due To	-	-	-	-	-	-	-	-	45,818	45,818	-45,818	-
310 Total Current Liabilities	174,928	-	1,386	-	-	12,929	500,712	44,041	209,397	943,393	-45,818	897,575
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	23,319,287	360,003	-	23,679,290		23,679,290
353 Non-current Liabilities - Other	3,112	-	-	-	-	100,501	-	60,925	-	164,538		164,538
354 Accrued Compensated Absences - Non Current	30,624	-	-	-	-	62,489	-	-	148,649	241,762		241,762
357 Accrued Pension and OPEB Liabilities	397,830	-	-	-	-	397,830	-	397,830	1,648,153	2,841,643		2,841,643

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

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
350 Total Non-Current Liabilities	431,566	-	-	-	-	560,820	23,319,287	818,758	1,796,802	26,927,233	-	26,927,233
300 Total Liabilities	606,494	-	1,386	-	-	573,749	23,819,999	862,799	2,006,199	27,870,626	-45,818	27,824,808
400 Deferred Inflow of Resources	96,967	-	-	-	-	96,969	-	96,969	401,716	692,621		692,621
508.4 Net Investment in Capital Assets	5,137,759	-	-	-	-	-	7,867,983	937,264	494,311	14,437,317		14,437,317
511.4 Restricted Net Position	-	-	-	-	-	70,286	2,364,473	-	-	2,434,759		2,434,759
512.4 Unrestricted Net Position	1,571,714	-	7,396	-	-	-354,670	352,957	3,728,104	-695,004	4,610,497		4,610,497
513 Total Equity - Net Assets / Position	6,709,473	-	7,396	-	-	-284,384	10,585,413	4,665,368	-200,693	21,482,573	-	21,482,573
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	7,412,934	-	8,782	-	-	386,334	34,405,412	5,625,136	2,207,222	50,045,820	-45,818	50,000,002

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

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	879,888	-	-	-	-	-	2,353,331	-	-	3,233,219		3,233,219
70400 Tenant Revenue - Other	32,046	-	-	-	-	-	97,480	-	-	129,526		129,526
70500 Total Tenant Revenue	911,934	-	-	-	-	-	2,450,811	-	-	3,362,745	-	3,362,745
70600 HUD PHA Operating Grants	1,392,574	218,906	-	21,939	71,430	4,058,652	-	-	-	5,763,501		5,763,501
70610 Capital Grants	74,220	-	-	-	-	-	-	-	-	74,220		74,220
70710 Management Fee	-	-	-	-	-	-	-	-	407,691	407,691	-407,691	-
70720 Asset Management Fee	-	-	-	-	-	-	-	-	42,000	42,000	-42,000	-
70730 Book Keeping Fee	-	-	-	-	-	-	-	-	106,874	106,874	-106,874	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-	804,873	804,873	-804,873	-
70750 Other Fees	-	-	-	-	-	-	-	-	140,303	140,303		140,303
70700 Total Fee Revenue	-	-	-	-	-	-	-	-	1,501,741	1,501,741	-1,361,438	140,303
70800 Other Government Grants	-	-	43,447	-	-	-	-	-	-	43,447		43,447
71100 Investment Income - Unrestricted	22,358	-	-	-	-	648	556	116	-	23,678		23,678
71400 Fraud Recovery	-	-	-	-	-	21,674	-	-	-	21,674		21,674
71500 Other Revenue	33,765	-	-	-	-	47,271	1,349,808	126,382	26,878	1,584,104		1,584,104
70000 Total Revenue	2,434,851	218,906	43,447	21,939	71,430	4,128,245	3,801,175	126,498	1,528,619	12,375,110	-1,361,438	11,013,672
91100 Administrative Salaries	169,723	-	20,186	954	-	120,175	141,402	-	347,326	799,766		799,766
91200 Auditing Fees	1,195	-	-	-	-	8,952	13,092	-	1,100	24,339		24,339
91300 Management Fee	285,159	-	-	-	-	122,532	140,303	-	-	547,994	-407,691	140,303
91310 Book-keeping Fee	30,292	-	-	-	-	76,582	-	-	-	106,874	-106,874	-
91400 Advertising and Marketing	-	-	-	-	-	-	760	-	-	760		760
91500 Employee Benefit contributions - Administrative	156,804	-	12,728	633	-	95,749	80,818	-	204,748	551,480		551,480
91600 Office Expenses	77,363	-	-	-	-	61,710	39,178	25	22,205	200,481		200,481
91700 Legal Expense	5,227	-	-	-	-	574	9,634	-	25,944	41,379		41,379
91800 Travel	18,946	-	-	-	-	2,357	1,193	-	12,126	34,622		34,622
91900 Other	26,858	-	3,137	-	-	6,201	2,468	11,569	7,012	57,245		57,245
91000 Total Operating - Administrative	771,567	-	36,051	1,587	-	494,832	428,848	11,594	620,461	2,364,940	-514,565	1,850,375
92000 Asset Management Fee	42,000	-	-	-	-	-	7,764	-	-	49,764	-42,000	7,764
92100 Tenant Services - Salaries	-	152,460	-	-	35,672	-	-	-	-	188,132		188,132
92300 Employee Benefit Contributions - Tenant Services	-	66,446	-	-	17,267	-	-	-	-	83,713		83,713
92400 Tenant Services - Other	4,200	-	-	-	18,491	-	-	484	-	23,175		23,175
92500 Total Tenant Services	4,200	218,906	-	-	71,430	-	-	484	-	295,020	-	295,020
93100 Water	18,029	-	-	-	-	955	166,264	462	1,120	186,830		186,830
93200 Electricity	131,134	-	-	-	-	1,697	91,406	2,215	10,320	236,772		236,772
93300 Gas	7,804	-	-	-	-	421	138,904	1,038	10,376	158,543		158,543
93600 Sewer	-	-	-	-	-	1,885	189,790	615	1,309	193,599		193,599
93800 Other Utilities Expense	25,915	-	-	-	-	-	-	-	-	25,915		25,915
93000 Total Utilities	182,882	-	-	-	-	4,958	586,364	4,330	23,125	801,659	-	801,659
94100 Ordinary Maintenance and Operations - Labor	-	-	-	-	-	-	163,770	-	388,810	552,580		552,580
94200 Ordinary Maintenance and Operations - Materials and Other	85,852	-	-	-	-	1,719	74,245	6,000	29,898	197,714		197,714
94300 Ordinary Maintenance and Operations Contracts	779,732	-	-	-	-	-	97,434	40,564	8,578	926,308	-804,873	121,435
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	-	93,602	-	236,625	330,227		330,227
94000 Total Maintenance	865,584	-	-	-	-	1,719	429,051	46,564	663,911	2,006,829	-804,873	1,201,956
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-	30,681	257	406	31,344		31,344
95000 Total Protective Services	-	-	-	-	-	-	30,681	257	406	31,344	-	31,344
96110 Property Insurance	57,588	-	-	-	-	-	108,486	368	6,724	173,166		173,166

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

	Project Total	14.896 PIH Family Self-Sufficiency Program	17.259 WIA Youth Activities	14.267 Continuum of Care Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
96120 Liability Insurance	33,571	-	-	-	-	9,731	-	-	1,123	44,425		44,425
96130 Workmen's Compensation	3,472	-	-	-	-	1,225	2,847	-	8,568	16,112		16,112
96140 All Other Insurance	6,444	-	-	-	-	-	701	-	1,219	8,364		8,364
96100 Total insurance Premiums	101,075	-	-	-	-	10,956	112,034	368	17,634	242,067	-	242,067
96200 Other General Expenses	5,151	-	-	-	-	904	122,228	69,842	9,125	207,250		207,250
96210 Compensated Absences	4,346	-	-	-	-	2,880	-	-	10,894	18,120		18,120
96400 Bad debt - Tenant Rents	14,031	-	-	-	-	-	19,476	-	-	33,507		33,507
96000 Total Other General Expenses	23,528	-	-	-	-	3,784	141,704	69,842	20,019	258,877	-	258,877
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	487,618	15,868	-	503,486		503,486
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	24,483	-	-	24,483		24,483
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	-	512,101	15,868	-	527,969	-	527,969
96900 Total Operating Expenses	1,990,836	218,906	36,051	1,587	71,430	516,249	2,248,547	149,307	1,345,556	6,578,469	-1,361,438	5,217,031
97000 Excess of Operating Revenue over Operating Expenses	444,015	-	7,396	20,352	-	3,611,996	1,552,628	-22,809	183,063	5,796,641	-	5,796,641
97100 Extraordinary Maintenance	385,095	-	-	-	-	-	-	-	-	385,095		385,095
97200 Casualty Losses - Non-capitalized	6,927	-	-	-	-	-	-	-	-	6,927		6,927
97300 Housing Assistance Payments	-	-	-	20,352	-	3,590,618	-	-	-	3,610,970		3,610,970
97350 HAP Portability-In	-	-	-	-	-	13,697	-	-	-	13,697		13,697
97400 Depreciation Expense	502,542	-	-	-	-	-	749,871	85,028	34,964	1,372,405		1,372,405
90000 Total Expenses	2,885,400	218,906	36,051	21,939	71,430	4,120,564	2,998,418	234,335	1,380,520	11,967,563	-1,361,438	10,606,125
10010 Operating Transfer In	108,463	-	-	-	-	-	-	-	-	108,463		108,463
10020 Operating transfer Out	-108,463	-	-	-	-	-	-	-	-	-108,463		-108,463
10091 Inter Project Excess Cash Transfer In	560,000	-	-	-	-	-	-	-	-	560,000		560,000
10092 Inter Project Excess Cash Transfer Out	-560,000	-	-	-	-	-	-	-	-	-560,000		-560,000
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-450,549	-	7,396	-	-	7,681	802,757	-107,837	148,099	407,547	-	407,547
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	127,100	-	-	127,100		127,100
11030 Beginning Equity	7,332,943	-	-	-	-	-119,143	9,782,656	4,946,127	367,598	22,310,181		22,310,181
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-172,921	-	-	-	-	-172,922	-	-172,922	-716,390	-1,235,155		-1,235,155
11170 Administrative Fee Equity	-	-	-	-	-	-354,670	-	-	-	-354,670		-354,670
11180 Housing Assistance Payments Equity	-	-	-	-	-	70,286	-	-	-	70,286		70,286
11190 Unit Months Available	4,200	-	-	63	-	11,268	3,888	-	-	19,419		19,419
11210 Number of Unit Months Leased	4,039	-	-	63	-	10,211	3,557	-	-	17,870		17,870

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

Federal Grantor/ *Pass-Through Grantor/* Program Title	**Federal CFDA Number**	**Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs		
Public and Indian Housing	14.850	$ 821,182
Resident Opportunity and Support Services - Service Coordinators	14.870	71,430
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	4,058,652
Total Housing Voucher Cluster		4,058,652
Public Housing Capital Fund	14.872	645,612
Continuum of Care	14.267	21,939
PIH Family Self-Sufficiency	14.896	218,906
Total U.S. Department of Housing and Urban Development		5,837,721
U.S. Department of Labor		
Direct Programs		
WIA Cluster:		
WIA Youth Activities	17.259	43,447
Total WIA Cluster		43,447
Total U.S. Department of Labor		43,447
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 5,881,168

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

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

JAMES G. ZUPKA, C.P.A., INC.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Zanesville Metropolitan Housing Authority, Ohio, (the Authority) as of and for the 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 19, 2019, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James G. Zupka, CPA, President

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

June 19, 2019

JAMES G. ZUPKA, C.P.A., INC.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Zanesville Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

James G. Zupka, CPA, President

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

June 19, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv)	Were there any significant deficiencies in internal control reported for major federal programs	No
2018(v)	Type of Major Programs' Compliance Opinion	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list): Public and Indian Housing Program - CFDA #14.850 Housing Choice Voucher Cluster: Section 8 Housing Choice Vouchers - CFDA #14.871	
2018(viii)	Dollar Threshold: Type A\B Programs	Type A: $750,000 Type B: All Others
2018(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

The audit report for the fiscal year ending December 31, 2017, contained no audit findings or management letter recommendations.

OHIO AUDITOR OF STATE
KEITH FABER

ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM COUNTY

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 6, 2019