

**BELMONT METROPOLITAN
HOUSING AUTHORITY
BELMONT COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED MARCH 31, 2016**

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



Dave Yost • Auditor of State

Board of Directors
Belmont Metropolitan Housing Authority
100 South Third Street
Martins Ferry, Ohio 43935

We have reviewed the *Independent Auditor's Report* of Belmont Metropolitan Housing Authority, Belmont County, prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2015 through March 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 17, 2016

This page intentionally left blank.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2016

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Fund Net Position	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14-35
Required Supplemental Information:	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	36
Schedule of the Authority's Contributions	37
Statement of Modernization Cost - Completed	38
Supplemental Financial Data Schedules:	
Entity Wide Balance Sheet Summary	39
Entity Wide Revenue and Expense Summary	40-41
Schedule of Expenditures of Federal Awards	42
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	45-46
Schedule of Findings and Questioned Costs	47
Status of Prior Year Citations and Recommendations	48

This page intentionally left blank.

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

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing 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 Housing 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Belmont Metropolitan Housing Authority, Ohio, as of March 31, 2016, 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 described in Note 2 to the basic financial statements, the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and restated its net position at March 31, 2015 for business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - 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 August 24, 2016, on our consideration of the Belmont Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Belmont Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

August 24, 2016

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

It is a privilege to present for you the financial condition of the Belmont Metropolitan Housing Authority, as described in this “Management’s Discussion and Analysis” (MD&A). The Belmont Metropolitan Housing Authority’s (“the Authority”) Management’s Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent year challenges), and (d) identify other issues or concerns.

Since the Management’s Discussion and Analysis is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

- The Authority implemented the new accounting standard GASB 68, resulting in a prior period adjustment of (\$.9 million) and a Net Pension Liability of \$1.3 million at year end 2016. After adjusting for the prior period adjustment, the Authority’s Net Position, defined as Assets and Deferred Outflows of Resources net of Liabilities and Deferred inflows of Resources, was \$16.3 million for fiscal 2015 and \$16.5 million for fiscal 2016.
- The Authority-wide financial statements reflect a \$0.2 million increase in total Net Position. This increase in the net position was due to increases in Tenant Rents, HUD PHA Operating Grants as well as an increase in Capital Grants reflecting a higher level of capital improvement activity.
- Total revenue, Authority-wide, increased by \$0.6 million (11 percent) during fiscal 2016, and was \$5.4 million and \$6.0 million for fiscal 2015 and fiscal 2016 respectively.
- Total expenses, Authority-wide, increased by \$0.2 million (4 percent) during fiscal 2016, and were \$5.6 million for fiscal 2015 and \$5.8 million for fiscal 2016.

USING THIS ANNUAL REPORT

This report includes three major sections, the Management’s Discussion and Analysis (MD&A), Basic Financial Statements, and Other Required Supplementary Information.

MD&A - Management Discussion and Analysis -
Basic Financial Statements ~ Authority-wide Financial Statements~
Other Required Supplementary Information - Required Supplementary Information -

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)

Authority-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement is presented in the format where assets plus Deferred Outflows of Resources, minus liabilities plus Deferred Inflows of Resources, equals Net Position, commonly referred to as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-Current."

The focus of the Statement of Net Position is to represent the net available liquid (non-capital) assets plus Deferred Outflows of Resources, net of liabilities plus Deferred Inflows of Resources, of the Authority. Net position (formerly equity) is reported in three broad categories:

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

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

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

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

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

Finally, the Authority's financial statements also include a Statement of Cash Flows. This Statement reports net cash provided by or used for operating activities, non-operating financial activities, and capital and related financing activities.

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Fund Financial Statements

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

The Authority maintains its accounting records by program consistent with how funding is provided for these programs by the U.S. Department of Housing and Urban Development (HUD).

THE AUTHORITY'S PROGRAMS

Conventional Public Housing (PH)

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

Capital Fund Program (CFP)

This is the current primary funding source for the Authority's physical (i.e. capital) and management improvements. Funds are provided by formula allocation and based on size and age of the units.

Housing Choice Voucher Program (HCVP)

Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30 percent, and the Housing Authority subsidizes the balance.

This space is intentionally left blank.

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

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

Table 1 - Statement of Net Position (in millions of dollars)

	2016	2015 *
<u>Assets</u>		
Current and Other Assets	\$ 6.3	\$ 5.7
Capital Assets	11.8	12.1
Deferred Outflows of Resources	.4	0
Total Assets and Deferred Outflow of Resources	<u>\$ 18.5</u>	<u>\$ 17.8</u>
<u>Liabilities</u>		
Current Liabilities	\$ 0.5	\$ 0.5
Long-Term Liabilities	1.4	1.0
Total Liabilities	<u>1.9</u>	<u>1.5</u>
Deferred Inflows of Resources	0.1	0
<u>Net Position</u>		
Investment in Capital Assets	11.8	12.1
Unrestricted	4.7	4.2
Total Net Position	<u>16.5</u>	<u>16.3</u>
Total Liabilities, Net Position and Deferred Inflow of Resources	<u>\$ 18.5</u>	<u>\$ 17.8</u>

*Restated

For more detailed information see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current assets increased by \$0.7 million and current liabilities remained steady. This reflects the positive net operating results of the Authority during fiscal 2016.

Capital assets decreased by \$0.3 million, being \$12.1 million at the end of fiscal 2015 and \$11.8 million at the end of fiscal 2016. Additions were about \$0.9 million, minus depreciation of about \$1.2 million. The additions were primarily in the category of building improvements funded with capital grants provided by HUD.

Long-Term Liabilities increased by \$0.4 million due to the new requirement for State and Local governments, including Housing authorities, to reflect unfunded Net Pension Liabilities on their Balance Sheets (for more information see below).

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (Unaudited)**

After restatement of the 2015 numbers for the GASB 68 prior period adjustment, the unrestricted net position account increased from \$4.2 million at the end of fiscal 2015 to \$4.7 million at the end of fiscal 2016. The Authority's expenses exceeded revenue by \$0.2 million, but this amount included depreciation expense, a noncash expense, of \$1.3 million which is added back to determine net cash flow, and Capital Grant funding of \$0.9 million which is deducted because the related expenses are capitalized. Therefore, net cash flow, after the items above are added back and deducted, was approximately \$0.6 million. A significant factor was the new Governmental Accounting Standards Board (GASB) requirement for State and Local governments, including Housing Authorities, to reflect Net Pension Liabilities on their Balance Sheets. The total Pension Liability allocated from the Ohio Retirement Systems to Belmont Metropolitan Housing Authority was \$1.3 million at fiscal year 2016, offsetting the net cash flow and reducing Unrestricted Net Position. This is a very long term non-cash liability and not anticipated to impact the Authority's financial results or position as other liabilities would.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in business-type activities.

**Table 2- Statement of Revenues, Expenses, and Change in Net Position
 (in the millions of dollars)**

	2016	2015
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 1.7	\$ 1.6
Operating Subsidies and Grants	3.4	3.1
Capital Grants	0.9	0.7
Total Revenues	6.0	5.4
<u>Expenses</u>		
Administrative	0.8	0.8
Utilities	1.1	1.1
Maintenance and Protective Services	1.3	1.3
General	0.2	0.2
Housing Assistance Payments	1.1	1.0
Depreciation	1.3	1.2
Total Expenses	5.8	5.6
Net Increases (Decreases)	\$ 0.2	\$ (0.2)

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

Tenant Revenue experienced a slight increase in fiscal 2016. The Authority's occupancy at its properties remained very strong, and average rent payments increased slightly due to the HUD-prescribed family-income-based formula. Both Operating Subsidies and Capital Grants increased. The Authority has increased activity in the area of Capital Improvements which resulted in more Capital Grants.

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (Unaudited)**

Expenses were relatively stable in Fiscal 2016, with slight decreases in Housing Assistance Payments, reflecting more families served, and Depreciation expense.

The Authority's revenue exceeded expenses by \$0.2 million, but this amount included non-cash expenses (depreciation) of \$1.3 million (added back to determine net cash flow) and Capital Grant funding of \$0.9 million (deducted because the related expenses are capitalized). Therefore net cash flow, after the items above are added back and deducted, was slightly positive, approximately \$0.6 million. As stated earlier, we feel this is an accomplishment considering the current funding situation for Housing Agencies.

CAPITAL ASSETS

As of fiscal year end, the Authority had \$11,791,188 invested in a variety of capital assets as reflected in the following schedule.

Table 3 - Capital Assets at Year-End (net of Depreciation)

	2016	2015
Land and Land Rights	\$ 1,446,016	\$ 1,446,016
Buildings	41,645,990	40,866,900
Leasehold Improvement	208,408	0
Equipment - Administrative	573,516	569,207
Construction in Progress	139,355	194,475
Accumulated Depreciation	<u>(32,222,097)</u>	<u>(30,986,013)</u>
Total	<u>\$ 11,791,188</u>	<u>\$12,090,585</u>

The following reconciliation summarizes the changes in Capital Assets.

Table 4 - Change in Capital Assets

Beginning Balance, April 1, 2015	\$12,090,585
Additions from Capital Grants	853,906
Additions from COCC Funds and Other	100,440
Less: Current Year Depreciation	<u>(1,253,743)</u>
Ending Balance at March 31, 2016	<u>\$11,791,188</u>

This year's major additions are:

Business-type Activities

Capital improvements completed through the Authority's Capital Fund Program on a variety of the Authority's complexes	\$ 853,906
Rehab to Central Office space funded with COCC funds	78,472
Purchasing a vehicle	<u>21,968</u>
Total	<u>\$ 954,346</u>

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

DEBT

The Authority has no debt other than normal accounts payable, accrued expenses, and accrued compensated absences.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jody Geese, Executive Director of the Belmont Metropolitan Housing Authority at (740) 633-5085.

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 STATEMENT OF NET POSITION
 MARCH 31, 2016**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,626,435
Cash and Cash Equivalents - Restricted	171,427
Investments - Unrestricted	3,295,386
Receivables, Net	37,570
Inventory	52,366
Prepaid Expenses and Other Assets	140,744
Total Current Assets	<u>6,323,928</u>

Noncurrent Assets

Land	1,446,016
Capital Assets, Net of Depreciation	10,345,172
Total Noncurrent Assets	<u>11,791,188</u>

Deferred Outflow of Resources	<u>410,227</u>
--------------------------------------	-----------------------

TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 18,525,343</u>
---	-----------------------------

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 39,992
Accrued Wages/Payroll Taxes	45,930
Accrued Compensated Absences - Current	86,012
Accrued Liabilities - Other	122,551
Tenant Security Deposits	171,427
Intergovernmental Payables	57,854
Unearned Revenue	22,450
Total Current Liabilities	<u>546,216</u>

Noncurrent Liabilities

Accrued Compensated Absences, Non-Current	105,125
Net Pension Liability	1,268,543
Total Noncurrent Liabilities	<u>1,373,668</u>
Total Liabilities	<u>1,919,884</u>

Deferred Inflow of Resources	<u>72,657</u>
-------------------------------------	----------------------

NET POSITION

Net Investment in Capital Assets	11,791,188
Unrestricted	4,741,614
Total Net Position	<u>16,532,802</u>

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 18,525,343</u>
---	-----------------------------

See accompanying notes to the basic financial statements.

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

<u>Operating Revenues</u>	
Government Operating Grants	\$ 3,422,442
Tenant Revenue	1,656,706
Other Revenue	<u>36,609</u>
Total Operating Revenues	<u>5,115,757</u>
 <u>Operating Expenses</u>	
Administrative	789,708
Tenant Services	18,150
Utilities	1,061,102
Maintenance	1,230,941
Protective Services	114,886
Insurance	117,354
General	128,727
Housing Assistance Payments	<u>1,053,037</u>
Total Operating Expenses before Depreciation	<u>4,513,905</u>
Income (Loss) before Depreciation	<u>601,852</u>
 Depreciation	 <u>1,253,743</u>
 Operating (Loss)	 <u>(651,891)</u>
 <u>Non-Operating Revenues</u>	
Interest and Investment Income	24,827
Capital Grants	<u>853,906</u>
Total Non-Operating Revenues	<u>878,733</u>
 Change in Net Position	 <u>226,842</u>
 Total Net Position at Beginning of Year	 17,171,373
Prior Period Adjustment	<u>(865,413)</u>
 Total Net Position at End of Year	 <u>\$ 16,532,802</u>

See accompanying notes to the basic financial statements.

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 3,394,947
Cash Received from Tenants	1,656,085
Cash Received - Other Revenue	55,320
Cash Payments for Housing Assistance	(1,053,037)
Cash Payments for Other Operating Expenses	(2,619,531)
Cash Payments for Administrative Expense	(741,807)
Net Cash Provided by Operating Activities	<u>691,977</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(954,346)
Capital Grants Received	853,906
Net Cash (used for) by Capital and Other Related Financing Activities	<u>(100,440)</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	24,827
Net Investment Purchases	(10,145)
Net Cash Provided from Investing Activities	<u>14,682</u>
Net Increase in Cash and Cash Equivalents	606,219
Cash and Cash Equivalents at Beginning of Year	<u>2,191,643</u>
Cash and Cash Equivalents at End of Period	<u>\$ 2,797,862</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (651,891)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	1,253,743
(Increase) Decrease in:	
Accounts Receivable	(26,077)
Prepaid Expenses	9,240
Deferred Outflows	(326,010)
Inventory	673
Increase (Decrease) in:	
Accounts Payable	24,730
Intergovernmental Payable	11,713
Net Pension Liability	335,308
Accrued Compensated Absences	27,341
Accrued Liabilities	(28,014)
Tenants' Security Deposits	7,561
Deferred Inflows	56,262
Unearned Revenue	(2,602)
Net Cash Provided by Operating Activities	<u>\$ 691,977</u>

See accompanying notes to the basic financial statements.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

The Authority has implemented GASB 34, noting that the inclusion of Management's Discussion and Analysis, the presentation of Net Position, and the utilization of the direct method of cash flows are the changes made to the financial statements to comply with the requirement.

The Authority has also implemented GASB 68, requiring State and Local governments to report unfunded pension liabilities related to defined pension plans.

Reporting Entity

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

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Reporting Entity (Continued)

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

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

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

Basis of Presentation

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

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

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred inflows of resources and all liabilities and deferred outflows of resources associated with the operation of the Authority are included on the statement of net position. The Statement of Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

Projects - Conventional Public Housing and Capital Fund Programs

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

Central Office Cost Center (COCC)

The Authority owns and operates more than 250 dwelling rentals and established a COCC to account for non-project specific costs. These costs are funded from management fees, asset management fees and bookkeeping fees.

Housing Choice Voucher Program

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

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving 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, sales 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 depending 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 the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net position, equity, or fund balance as restricted.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Accounting and Reporting for Nonexchange Transactions (Continued)

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received, whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHA's should record resources received prior to that period as unearned revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Cash and Cash Equivalents

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

Investments

Investments are restricted by the provisions of the HUD regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year ending March 31, 2016 totaled \$24,827.

Receivables - Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was \$204 at March 31, 2016.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond March 31, 2016, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and 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 charges as expenditures when used. The allowance for obsolete inventory was \$6,796 at March 31, 2016.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life are expensed as incurred. The Authority's capitalization policy is \$2,000. The following are the useful lives used for depreciation purposes:

Buildings - Residential	40 years
Buildings - Non-Residential	40 years
Building Improvements	15 years
Furniture - Dwelling	5 years
Furniture - Non-Dwelling	5 years
Equipment - Dwelling	5 years
Equipment - Non-Dwelling	5 years
Auto and Trucks	5 years
Computer Hardware	5 years
Computer Software	5 years

Due From/To Other Programs

On the basic financial statements, inter-program receivables and payables listed on the FDS are eliminated.

Accrued Liabilities

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

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 1: 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 service are included in the calculation of the compensated absences accrual amount.

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

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

The following is a summary of changes in the compensated absence liability.

	<u>Balance</u> <u>03/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>03/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 163,796	\$ 106,779	\$ 79,438	\$ 191,137	\$ 86,012

Unearned Revenue

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Net Position

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

Operating Revenues and Expenses

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

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

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

Operating Revenues and Expenses (Continued)

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

Capital Grant

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

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

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

Pensions

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

The following is a summary of changes in the net pension liability:

	<u>Balance</u> <u>03/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>03/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Net Pension Liability	\$ 933,235	\$ 335,308	\$ 0	\$ 1,268,543	\$ 0

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows or resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflow of resources related to pension are reported on the statement of net pension. (See Note 7)

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT**

For fiscal year 2016, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

The objective of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are effective for periods beginning after June 15, 2014, and have been implemented by the Authority.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the Authority's financial statements.

The objective of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, and have been implemented by the Authority.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 2: CHANGES IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT
(Continued)

A prior period adjustment at March 31, 2016 is required in order to implement GASB Statements No. 68 and 71 as follows:

Prior Period Adjustments:	
Net Pension Liability	\$ (933,235)
Deferred Outflow	84,217
Deferred Inflow	<u>(16,395)</u>
Total Prior Period Adjustments	<u>\$ (865,413)</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Deposits (Continued)

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

At fiscal year end March 31, 2016, the carrying amount of the Authority's deposits totaled \$4,809,566 (including \$2,183,130 non-negotiable CDs, \$22,824 cash held by fiscal agent and \$300 petty cash) and its bank balance was \$4,920,997. Based on the criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of March 31, 2016, \$2,326,840 was exposed to custodial risk as discussed below, while \$2,594,157 was covered by the Federal Depository Insurance Corporation.

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

Investments

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

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

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

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

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

The carrying amount of the Authority's investments was \$1,283,682 at March 31, 2016 with the same corresponding bank balance. The investments are held in U.S. Agency securities and money markets invested in U.S. Treasuries.

<u>Description</u>	Total Fair Value/ Carrying Value	Credit Quality Rating
US Agency Securities	\$ 700,056	AA+
Money Market Funds	583,626	AAAm*

* Rating offered by Standards and Poor's

A reconciliation of cash and investments as shown on the Statement of Net Position at March 31, 2016 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	\$ 2,797,862
Investments - Unrestricted	<u>3,295,386</u>
Total	<u>\$ 6,093,248</u>
Carrying Amount of Deposits	\$ 4,809,566
Carrying Amount of Investments	<u>1,283,682</u>
Total	<u>\$ 6,093,248</u>

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)**

NOTE 4: CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 03/31/2015	Additions	Transfers/ Disposals	Balance 03/31/2016
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 1,446,016	\$ 0	\$ 0	\$ 1,446,016
Construction-in-Progress	194,475	932,378	(987,498)	139,355
Total Capital Assets Not Being Depreciated	<u>1,640,491</u>	<u>932,378</u>	<u>(987,498)</u>	<u>1,585,371</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	40,866,900	0	987,498	41,854,398
Furniture, Equipment, and Machinery	569,208	21,968	(17,660)	573,516
Total Capital Assets Being Depreciated	<u>41,436,108</u>	<u>21,968</u>	<u>969,838</u>	<u>42,427,914</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(30,476,348)	(1,217,749)	0	(31,694,097)
Furniture, Equipment, and Machinery	(509,666)	(35,994)	17,660	(528,000)
Total Accumulated Depreciation	<u>(30,986,014)</u>	<u>(1,253,743)</u>	<u>17,660</u>	<u>(32,222,097)</u>
Depreciable Assets, Net	<u>10,450,094</u>	<u>(1,231,775)</u>	<u>987,498</u>	<u>10,205,817</u>
Total Capital Assets, Net	<u>\$12,090,585</u>	<u>\$ (299,397)</u>	<u>\$ 0</u>	<u>\$11,791,188</u>

NOTE 5: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

NOTE 6: RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

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

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

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 basis of accounting.

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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

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

2015 Statutory Maximum Contribution Rates:	<u>State and Local</u>
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$111,903 for fiscal year ending 2016.

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

Proportionate Share of the Net Pension Liability	\$ 1,268,543
Proportion of the Net Pension Liability	0.007324%
Pension Expense	\$ 178,241

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

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 372,872
Authority contributions subsequent to the measurement date	<u>37,355</u>
Total Deferred Outflows of Resources	<u>\$ 410,227</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 24,511
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>48,146</u>
Totals	<u>\$ 72,657</u>

\$37,355 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2016	\$ 66,350
2017	72,312
2018	79,716
2019	<u>81,837</u>
Total	<u>\$ 300,215</u>

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLAN (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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple Post 1/7/2013 Retirees: 3 percent, simple Through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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 2015 and the long-term expected real rates of return:

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

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions - OPERS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan 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 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Authority’s proportionate share of the net pension liability	\$ 2,021,204	\$ 1,268,543	\$ 633,819

NOTE 8: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.pers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary payroll of active members. In fiscal year ending 2015 and 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans.

BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 8: POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy (Continued)

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent. The portion of actual Authority contributions for the year ended March 31, 2016, 2015 and 2014, which were used by OPERS to fund post-employment benefits were \$18,667, \$18,964, and \$11,863, respectively.

NOTE 9: FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2016, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net assets and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by the Department of Housing and Urban Development.

NOTE 10: ECONOMIC DEPENDENCY

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

NOTE 11: RESTRICTED NET POSITION

For the fiscal year ended March 31, 2016, the Authority did not have Restricted Net Position, as all Housing Choice Voucher restricted reserve funds has been utilized.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were reviewed through August 24, 2016, the date the financial statements were issued. Any subsequent events after that date have not been evaluated.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.007324%	0.007738%	0.007738%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,268,543	\$ 933,235	\$ 912,156
Authority's Covered-Employee Payroll	\$ 932,525	\$ 948,217	\$ 953,917
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	136.03%	98.42%	95.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

Amount presented as of the Authority's fiscal year end.
The plan measurement date is the prior calendar year end.

**BELMONT METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 111,903	\$ 113,786	\$ 114,470	\$ 122,248
Contributions in Relation to the Contractually Required Contribution	<u>(111,903)</u>	<u>(113,786)</u>	<u>(114,470)</u>	<u>(122,248)</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority's Covered-Employee Payroll	\$ 932,525	\$ 948,217	\$ 953,917	\$ 940,369
Contributions as a Percentage of Covered- Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED MARCH 31, 2016**

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

	<u>OH16P02050113</u>
Funds Approved	\$ 844,745
Funds Expended	<u>844,745</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 844,745
Funds Expended	<u>844,745</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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-mens 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.

BELMONT METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2016

	Project Total	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	684,566	12,114	1,929,755	2,626,435		2,626,435
114 Cash - Tenant Security Deposits	171,427			171,427		171,427
100 Total Cash	855,993	12,114	1,929,755	2,797,862	-	2,797,862
122 Accounts Receivable - HUD Other Projects	28,415	880		29,295		29,295
125 Accounts Receivable - Miscellaneous			5,599	5,599		5,599
126 Accounts Receivable - Tenants	2,880			2,880		2,880
126.1 Allowance for Doubtful Accounts -Tenants	-204			-204		-204
120 Total Receivables, Net of Allowances for Doubtful Accounts	31,091	880	5,599	37,570	-	37,570
131 Investments - Unrestricted	2,537,248	21,922	736,216	3,295,386		3,295,386
142 Prepaid Expenses and Other Assets	86,059		54,685	140,744		140,744
143 Inventories	59,162			59,162		59,162
143.1 Allowance for Obsolete Inventories	-6,796			-6,796		-6,796
150 Total Current Assets	3,562,757	34,916	2,726,255	6,323,928	-	6,323,928
161 Land	1,446,016			1,446,016		1,446,016
162 Buildings	41,645,990			41,645,990		41,645,990
164 Furniture, Equipment & Machinery - Administration	428,540	22,802	122,174	573,516		573,516
165 Leasehold Improvements			208,408	208,408		208,408
166 Accumulated Depreciation	-32,070,524	-22,683	-128,890	-32,222,097		-32,222,097
167 Construction in Progress	139,355			139,355		139,355
160 Total Capital Assets, Net of Accumulated Depreciation	11,589,377	119	201,692	11,791,188	-	11,791,188
180 Total Non-Current Assets	11,589,377	119	201,692	11,791,188	-	11,791,188
200 Deferred Outflow of Resources	304,661	24,741	80,825	410,227		410,227
290 Total Assets and Deferred Outflow of Resources	15,456,795	59,776	3,008,772	18,525,343	-	18,525,343
312 Accounts Payable <= 90 Days	36,510		3,482	39,992		39,992
321 Accrued Wage/Payroll Taxes Payable	16,984	1,954	26,992	45,930		45,930
322 Accrued Compensated Absences - Current Portion	59,297	4,336	22,379	86,012		86,012
333 Accounts Payable - Other Government	57,854			57,854		57,854
341 Tenant Security Deposits	171,427			171,427		171,427
342 Unearned Revenue	22,450			22,450		22,450
346 Accrued Liabilities - Other	108,730	2,986	10,835	122,551		122,551
310 Total Current Liabilities	473,252	9,276	63,688	546,216	-	546,216
354 Accrued Compensated Absences - Non Current	72,472	5,301	27,352	105,125		105,125
357 Accrued Pension and OPEB Liabilities	942,102	76,505	249,936	1,268,543		1,268,543
350 Total Non-Current Liabilities	1,014,574	81,806	277,288	1,373,668	-	1,373,668
300 Total Liabilities	1,487,826	91,082	340,976	1,919,884	-	1,919,884
400 Deferred Inflow of Resources	53,959	4,382	14,316	72,657		72,657
508.4 Net Investment in Capital Assets	11,589,377	119	201,692	11,791,188		11,791,188
512.4 Unrestricted Net Position	2,325,633	-35,807	2,451,788	4,741,614		4,741,614
513 Total Equity - Net Assets / Position	13,915,010	-35,688	2,653,480	16,532,802	-	16,532,802
600 Total Liabilities, Deferred Inflow of Resources, and Equity Net	15,456,795	59,776	3,008,772	18,525,343	-	18,525,343

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

	Project Total	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	1,631,757			1,631,757		1,631,757
70400 Tenant Revenue - Other	24,949			24,949		24,949
70500 Total Tenant Revenue	1,656,706	-	-	1,656,706	-	1,656,706
70600 HUD PHA Operating Grants	2,231,096	1,191,346		3,422,442		3,422,442
70610 Capital Grants	853,906			853,906		853,906
70710 Management Fee			567,705	567,705	-567,705	-
70720 Asset Management Fee			85,660	85,660	-85,660	-
70730 Book Keeping Fee			73,211	73,211	-73,211	-
70700 Total Fee Revenue	-	-	726,576	726,576	-726,576	-
71100 Investment Income - Unrestricted	24,819	8		24,827		24,827
71500 Other Revenue	35,720	860	29	36,609		36,609
70000 Total Revenue	4,802,247	1,192,214	726,605	6,721,066	-726,576	5,994,490
91100 Administrative Salaries	195,830	56,102	183,798	435,730		435,730
91200 Auditing Fees	6,041	2,664	4,672	13,377		13,377
91300 Management Fee	548,799	18,906		567,705	-567,705	-
91310 Book-keeping Fee	63,758	9,453		73,211	-73,211	-
91500 Employee Benefit contributions - Administrative	103,379	45,737	23,238	172,354		172,354
91600 Office Expenses	21,247	5,039	3,237	29,523		29,523
91700 Legal Expense	36,505		443	36,948		36,948
91900 Other	19,856	9,105	72,815	101,776		101,776
91000 Total Operating - Administrative	995,415	147,006	288,203	1,430,624	-640,916	789,708
92000 Asset Management Fee	85,660			85,660	-85,660	-
92400 Tenant Services - Other	18,150			18,150		18,150
92500 Total Tenant Services	18,150	-	-	18,150	-	18,150
93100 Water	346,130			346,130		346,130
93200 Electricity	429,516			429,516		429,516
93300 Gas	55,626			55,626		55,626
93500 Labor	21,194			21,194		21,194
93600 Sewer	208,636			208,636		208,636
93000 Total Utilities	1,061,102	-	-	1,061,102	-	1,061,102
94100 Ordinary Maintenance and Operations - Labor	424,635			424,635		424,635
94200 Ordinary Maintenance and Operations - Materials and Other	297,126		4,845	301,971		301,971
94300 Ordinary Maintenance and Operations Contracts	253,679			253,679		253,679
94500 Employee Benefit Contributions - Ordinary Maintenance	250,656			250,656		250,656
94000 Total Maintenance	1,226,096	-	4,845	1,230,941	-	1,230,941
95200 Protective Services - Other Contract Costs	114,886			114,886		114,886
95000 Total Protective Services	114,886	-	-	114,886	-	114,886
96110 Property Insurance	37,365		7,706	45,071		45,071
96120 Liability Insurance	37,365	1,786	7,706	46,857		46,857
96130 Workmen's Compensation	8,624		1,778	10,402		10,402
96140 All Other Insurance	12,455		2,569	15,024		15,024
96100 Total insurance Premiums	95,809	1,786	19,759	117,354	-	117,354

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

	Project Total	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
96210 Compensated Absences	39,285	3,435	11,253	53,973		53,973
96300 Payments in Lieu of Taxes	57,854			57,854		57,854
96400 Bad debt - Tenant Rents	16,900			16,900		16,900
96000 Total Other General Expenses	114,039	3,435	11,253	128,727	-	128,727
96900 Total Operating Expenses	3,711,157	152,227	324,060	4,187,444	-726,576	3,460,868
97000 Excess of Operating Revenue over Operating Expenses	1,091,090	1,039,987	402,545	2,533,622	-	2,533,622
97300 Housing Assistance Payments		1,052,246		1,052,246		1,052,246
97350 HAP Portability-In		791		791		791
97400 Depreciation Expense	1,240,049	238	13,456	1,253,743		1,253,743
90000 Total Expenses	4,951,206	1,205,502	337,516	6,494,224	-726,576	5,767,648
10010 Operating Transfer In	61,366			61,366	-61,366	-
10020 Operating transfer Out	-61,366			-61,366	61,366	-
10091 Inter Project Excess Cash Transfer In	200,000			200,000	-200,000	-
10092 Inter Project Excess Cash Transfer Out	-200,000			-200,000	200,000	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-148,959	-13,288	389,089	226,842	-	226,842
11020 Required Annual Debt Principal Payments				-		-
11030 Beginning Equity	14,706,812	29,708	2,434,853	17,171,373		17,171,373
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-642,843	-52,108	-170,462	-865,413		-865,413
11170 Administrative Fee Equity		-35,688		-35,688		-35,688
11190 Unit Months Available	8,568	3,191		11,759		11,759
11210 Number of Unit Months Leased	8,515	3,151		11,666		11,666

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ <u>2,031,842</u>
Capital Fund Program	14.872	<u>1,053,160</u>
Total Public Housing Program		<u>3,085,002</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>1,191,346</u>
Total Section 8 Tenant Based Programs		<u>1,191,346</u>
Total U. S. Department of Housing and Urban Development		<u>4,276,348</u>
Total Expenditures of Federal Awards		<u>\$ 4,276,348</u>

This schedule is prepared on the accrual basis of accounting.

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

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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 of
Belmont Metropolitan Housing Authority
Martins Ferry, 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 Belmont Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated August 24, 2016, wherein we noted that the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at March 31, 2015 for business-type activities.

Internal Control Over Financial Reporting

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



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

August 24, 2016

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

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

To the Members of the Board of
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Belmont Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2016.

Report on Internal Control over Compliance

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

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

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

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



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

August 24, 2016

**BELMONT METROPOLITAN HOUSING AUTHORITY
 BELMONT COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 MARCH 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2016(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under .510?	No
2016(vii)	Major Programs (list): Capital Fund Program - CFDA #14.872	
2016(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$ 750,000 Type B: all others
2016(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BELMONT METROPOLITAN HOUSING AUTHORITY
BELMONT COUNTY, OHIO
STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS
MARCH 31, 2016**

The prior audit report, as of March 31, 2015, had no audit findings or management letter recommendations.



Dave Yost • Auditor of State

BELMONT METROPOLITAN HOUSING AUTHORITY

BELMONT 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
NOVEMBER 29, 2016**