

**MORGAN METROPOLITAN HOUSING AUTHORITY**

**MORGAN COUNTY**

**SINGLE AUDIT**

**JULY 1, 2015 – JUNE 30, 2016**







# Dave Yost • Auditor of State

Board of Directors  
Morgan Metropolitan Housing Authority  
4580 N. St. Rt. 376 NW  
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 10, 2017

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**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Morgan Metropolitan Housing Authority  
Morgan County  
4580 N. St. Rt. 376 NW  
McConnelsville, Ohio 43756

To the Board of Directors:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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Newark, Ohio 43055

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Morgan Metropolitan Housing Authority  
Morgan County  
Independent Auditor's Report

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Metropolitan Housing Authority, Morgan County as of June 30, 2016, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

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

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



Morgan Metropolitan Housing Authority  
Morgan County  
Independent Auditor's Report

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report November 11, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 11, 2016

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

It is a privilege to present for you the financial picture of the Morgan Metropolitan Housing Authority. The Morgan 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 changes), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net position was \$1,933,277 and \$1,998,740 for 2016 and 2015, respectively. The statements reflect a decrease in total net position of \$65,463 (or 3.28%), during 2016. This decrease is reflective of the fiscal year’s activities.
- The total revenues were \$1,026,592 and \$1,007,648 for 2016 and 2015, respectively. The statements reflect an increase in total revenues of \$18,944 (or 1.88%), during 2016.
- The total expenses were \$1,092,055 and \$1,016,731 for 2016 and 2015, respectively. The statements reflect an increase in total expenses of \$75,324 (or 7.41%), during 2016.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

The focus is on the Authority as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (fiscal year to fiscal year or Authority to Authority) and enhance the Authority’s accountability.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**BASIC FINANCIAL STATEMENTS**

The basic financial statements are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the Authority.

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

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

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have outstanding debt related to capital assets as of June 30, 2016.

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

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

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

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

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

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

Housing Choice Voucher Program (HCV) – 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%, and the Housing Authority subsidizes the balance.

Resident Opportunities and Self Sufficiency (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the Housing Opportunities and Personal Empowerment (HOPE) Board for managing rental property for tenants with developmental disabilities.

State & Local – The State & Local fund was set up to track grant money received for low income housing programs through state and local sources.

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

Under GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as*

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

*against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

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**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

	2016	2015
Current Assets	\$ 278,087	\$ 218,039
Capital Assets, Net	1,862,551	1,978,990
Total Assets	2,140,638	2,197,029
 Deferred Outflow of Resources	80,291	17,768
 Current Liabilities	41,423	47,688
Non-Current Liabilities	241,832	165,610
Total Liabilities	283,255	213,298
 Deferred Inflow of Resources	4,397	2,759
 Net Position:		
Investment in Capital Assets	1,862,551	1,978,990
Restricted	10,487	7,479
Unrestricted	60,239	12,271
Total Net Position	\$ 1,933,277	\$ 1,998,740

**Major factors affecting the Statement of Net Position:**

Current assets are up due to cash and cash equivalents increase of \$56,594 which is the result of proceeds from the sale of property and cash provided by operations. Deferred outflow of resources is up due to the fluctuations of payments made to the pension system, this is also the explanation for the increase in non-current liabilities which includes the accrued pension liability.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Tenant revenues	\$ 79,263	\$ 85,991
Operating grants	874,841	843,527
Capital grants	48,410	52,753
Fraud recovery	4,458	4,209
Interest	1,154	231
Other revenue	18,466	20,937
<b>TOTAL REVENUE</b>	<u>1,026,592</u>	<u>1,007,648</u>
<b>Expenses</b>		
Administration	219,039	177,640
Tenant services	499	98
Utilities	93,564	105,079
Insurance	18,249	14,690
Maintenance	159,365	144,569
General	19,105	20,838
Housing assistance payments	435,176	438,029
Depreciation	112,114	115,788
Loss on sale of assets	34,944	-
<b>TOTAL EXPENSES</b>	<u>1,092,055</u>	<u>1,016,731</u>
<b>CHANGES IN NET POSITION</b>	(65,463)	(9,083)
<b>NET POSITION AT JULY 1</b>	<u>1,998,740</u>	<u>2,007,823</u>
<b>NET POSITION AT JUNE 30</b>	<u>\$ 1,933,277</u>	<u>\$ 1,998,740</u>

**Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position include:**

Tenant rents decreased slightly due to a decrease in ceiling rent tenants in Occupancy for fiscal year 2016. Operating grants increased due to receiving full time FSS (Family Self Sufficiency) coordinator funding this fiscal year (HUD combined HCV and Public Housing FSS grants) whereas in the previous fiscal year, the Authority received only a partial grant for Public Housing FSS programs. Administration expenses are increased due to hiring of an FSS coordinator. The Authority sold a rental house purchased with Housing Choice Voucher Administrative funds and took a loss on the sale of the property.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**CAPITAL ASSETS**

As of the current fiscal year-end, the Authority had \$1,862,551 invested in net capital assets as reflected in the following schedule which represents a net decrease (additions less depreciation) of \$116,439 from the end of last fiscal year.

**CAPITAL ASSETS AT FISCAL YEAR-END  
(NET OF ACCUMULATED DEPRECIATION)**

	<b>2016</b>	<b>2015</b>
Land	\$ 274,650	\$ 279,150
Buildings	4,128,551	4,165,275
Equipment - administration	90,365	86,140
Equipment - dwellings	134,539	166,253
Leasehold Improvement	342,941	342,941
Accumulated depreciation	(3,108,495)	(3,060,769)
<b>TOTAL</b>	<b>\$ 1,862,551</b>	<b>\$ 1,978,990</b>

The following reconciliation summarizes the change in Capital Assets. Capital fund projects were the main factors affecting a change in capital assets. See Note 4 to the financial statements for more detail of the Capital Assets.

**CHANGE IN CAPITAL ASSETS**

Beginning Balance	\$ 1,978,990
Additions	58,456
Deletions - Net Book Value	(62,781)
Depreciation	(112,114)
<b>ENDING BALANCE</b>	<b>\$ 1,862,551</b>

During the fiscal year 2016, the Authority had total disposals of capital assets of \$127,169 of which \$55,704 were fully depreciated. Additions of \$58,456 included a roof replacement project and purchases of furniture and equipment.

**DEBT OUTSTANDING**

As of June 30, 2016, the Authority has no outstanding debt.



**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- \* Federal funding of the Department of Housing and Urban Development.
- \* Local labor supply and demand, which can affect salary and wage rates.
- \* Local inflationary, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance.
- \* Inflationary pressure on utility rates, supplies and other costs.

**IN CONCLUSION**

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

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Jenna Moody, Executive Director of the Morgan Metropolitan Housing Authority at (740) 962-4930.

Respectfully submitted,

Jenna Moody, Executive Director

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$	202,794
Restricted cash		47,394
Receivables, net		6,625
Inventories, net		8,453
Prepaid items		12,821
<b>TOTAL CURRENT ASSETS</b>		<b>278,087</b>

**Non-current assets**

Capital assets:		
Nondepreciable capital assets		274,650
Depreciable capital assets, net of accumulated depreciation		1,587,901
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,862,551</b>

**TOTAL ASSETS** 2,140,638

**Deferred Outflow of Resources**

80,291

**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** 2,220,929

**LIABILITIES**

**Current liabilities**

Accounts payable		4,209
Accrued wages and payroll taxes		2,969
Tenant security deposits		28,627
Accrued compensated absences		3,036
Unearned revenue		2,582
<b>TOTAL CURRENT LIABILITIES</b>		<b>41,423</b>

**Non-current liabilities**

Accrued compensated absences non-current		2,486
Net pension liability		231,066
ROSS liability		8,280
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>241,832</b>

**TOTAL LIABILITIES** 283,255

**Deferred Inflow of Resources**

4,397

**TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES** 287,652

**NET POSITION**

Investment in capital assets		1,862,551
Restricted		10,487
Unrestricted		60,239
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>1,933,277</b>

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

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**OPERATING REVENUES**

Tenant revenue	\$ 79,263
Operating grants	874,841
Fraud recovery	4,458
Other revenues	18,466
<b>TOTAL OPERATING REVENUES</b>	<b>977,028</b>

**OPERATING EXPENSES**

Administrative	219,039
Tenant services	499
Utilities	93,564
Insurance	18,249
Maintenance	159,365
General	19,105
Housing assistance payments	435,176
Depreciation	112,114
<b>TOTAL OPERATING EXPENSES</b>	<b>1,057,111</b>

**OPERATING LOSS** (80,083)

**NONOPERATING REVENUES (EXPENSES)**

Interest revenue	1,154
HUD capital grants	48,410
Loss on sale of assets	(34,944)
<b>TOTAL NONOPERATING REVENUES (EXPENSE)</b>	<b>14,620</b>

**CHANGE IN NET POSITION** (65,463)

**NET POSITION AT JULY 1, 2015** 1,998,740

**NET POSITION AT JUNE 30, 2016** \$ 1,933,277

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

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b><u>Cash flows from operating activities:</u></b>	
Cash received from tenants	\$ 73,465
Cash received from other sources	23,151
Cash received from HUD and other grant sources	874,841
Cash payments for administrative	(498,631)
Cash payments for housing assistance payments	(435,176)
	37,650
Net cash provided by operating activities	37,650
<b><u>Cash flows from capital and related financing activities:</u></b>	
Capital funds received	48,410
Proceeds from sale of assets	27,836
Cash payments for capital assets	(58,456)
	17,790
Net cash provided by capital and related financing activities	17,790
<b><u>Cash flows from investing activities:</u></b>	
Interest earned received	1,154
	1,154
Net change in cash and cash equivalents	56,594
Cash and cash equivalents at July 1, 2015	193,594
	193,594
<b>Cash and cash equivalents at June 30, 2016</b>	<b>\$ 250,188</b>
<b><u>Reconciliation of operating loss to net cash provided by operating activities:</u></b>	
Operating loss	\$ (80,083)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	112,114
Changes in:	
Accounts receivable, net	(2,899)
Inventories, net	(889)
Prepaid items	334
Deferred outflow of resources	(62,523)
Accounts payable	(1,839)
Accrued wages and payroll taxes	(6,264)
Compensated absences	(277)
Net pension liability	74,030
Other liabilities	4,308
Deferred inflow of resources	1,638
	1,638
<b>Net cash provided by operating activities</b>	<b>\$ 37,650</b>

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

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The financial statements of the Morgan 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.

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 subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. The Authority is not a component unit of any larger entity.

Basis of Presentation

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

The Authority uses a single enterprise fund to maintain its financial records during the fiscal 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 all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for 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:

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority’s properties.

Housing Choice Voucher Program (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 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%, and the Housing Authority subsidizes the balance.

Resident Opportunities and Self Sufficiency Program (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the county for managing a HOPE project.

State & Local – The State & Local fund was set up to track grant money received for low income housing programs through state and local sources.

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 nongovernmental 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 government-mandated or voluntary nonexchange transactions. GASB Statement No. 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- 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.

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, PHAs 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.

Unearned Revenue

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the fiscal year in which the services are consumed.

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 not capitalized. The Authority's capitalization policy is \$1,750. The following are the estimated useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents

For cash flow reporting purposes, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are eliminated.

Accrued Liabilities

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

Compensated Absences

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

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

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 the financial statements in accordance 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.

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable and fraud recovery receivable balances at the end of the fiscal year. The allowance for doubtful accounts was \$370 at June 30, 2016.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$940 at June 30, 2016.



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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Pensions – Deferred inflow/outflow of Resources

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

Net Position

Net position represents the difference between assets and liabilities. 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. There was no related debt as of June 30, 2016. Net position is recorded as restricted when there are limitations imposed on their use either by internal or external restrictions. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did have net position restricted by for the HAP reserve of \$10,487 at June 30, 2016.

Operating/Nonoperating 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. Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

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.

**2. CASH AND CASH EQUIVALENTS**

Funds are deposited into non-interest bearing checking accounts or interest bearing savings accounts. All monies are deposited into banks as determined by the Authority. Security shall be furnished for all accounts in the Authority's name.

At fiscal year end, the carrying amount of the Authority's deposits was \$250,138 and the bank balance was \$315,854. In addition, \$50 was maintained in petty cash funds which is included in cash and cash equivalents presented on the statement of net position. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2016, \$250,000 was covered by Federal Depository Insurance and \$65,854 was exposed to custodial risk.

Based on the Authority having only demand deposits at June 30, 2016, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

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**3. RESTRICTED CASH**

The following restricted cash balance on the financial statements consists of the following:

Tenant Security Deposits	\$ 28,627
ROSS Escrow Funds	8,280
Housing Assistance Payment Reserve	<u>10,487</u>
 Total Restricted Cash	 <u>\$ 47,394</u>

**4. CAPITAL ASSETS**

The following is a summary of capital assets at June 30, 2016:

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2016</b>
<b>Capital Assets Not Depreciated</b>				
Land	\$ 279,150	\$ -	\$ (4,500)	\$ 274,650
<b>Capital Assets Depreciated</b>				
Buildings and improvements	4,508,216	52,142	(88,866)	4,471,492
Furniture and equipment	<u>252,393</u>	<u>6,314</u>	<u>(33,803)</u>	<u>224,904</u>
<b>Total Assets Depreciated</b>	<u>4,760,609</u>	<u>58,456</u>	<u>(122,669)</u>	<u>4,696,396</u>
<b>Accumulated Depreciation</b>				
Buildings and improvements	(2,886,086)	(99,104)	23,200	(2,961,990)
Furniture and equipment	(174,683)	(13,010)	41,188	(146,505)
<b>Total Accumulated Depreciation</b>	<u>(3,060,769)</u>	<u>(112,114)</u>	<u>64,388</u>	<u>(3,108,495)</u>
<b>Total Assets Depreciated, Net</b>	<u>1,699,840</u>	<u>(53,658)</u>	<u>(58,281)</u>	<u>1,587,901</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,978,990</u>	<u>\$ (53,658)</u>	<u>\$ (62,781)</u>	<u>\$ 1,862,551</u>

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**5. LONG-TERM LIABILITIES**

Long-term liabilities are summarized as follows:

<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
ROSS Escrow Liability	\$ 5,942	\$ 11,182	\$ (8,844)	\$ 8,280	\$ -
Net Pension Liability	157,036	104,245	(30,215)	231,066	-
Compensated Absence Payable	5,799	17,152	(17,429)	5,522	3,036
<b>Total</b>	<b>\$ 168,777</b>	<b>\$ 132,579</b>	<b>\$ (56,488)</b>	<b>\$ 244,868</b>	<b>\$ 3,036</b>

The noncurrent liability of \$8,280 represents escrow money held in escrow for residents participating in the ROSS program. Each month contributions are deposited into the Authority’s savings account on behalf of the program participants. Participants enter into an initial five year contract (with an option for a two year extension upon Authority’s approval). At the end of the contract, the participant either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs in the program, the money earned is used by the Authority to reinvest into the program.

See Note 6 and Note 7 for information on the Authority’s net pension liability.

**6. 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).

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**6. DEFINED BENEFIT PENSION PLAN - CONTINUED**

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 *accrued wages and payroll taxes* on both the accrual and modified accrual basis of accounting.

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

Plan Description – OPERS is a cost-sharing, multiple-employer public employee retirement system that provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, by calling (800) 222-7377, or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

The Authority participates in OPERS, a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost-sharing, multiple -employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost-sharing, multiple -employer defined plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**Pension Benefits** – All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The Board, pursuant to ORC Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

**New Legislation** - 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. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have twenty years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired after January 7, 2013.

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**6. DEFINED BENEFIT PENSION PLAN - CONTINUED**

**Age-and-Service Defined Benefits** – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service. Group C is for members eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. 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. Refer to the age-and-service tables located in the OPERS 2015 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirements for unreduced benefit receive a percentage reduction in the benefit amounts. The base amounts of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0 percent to the member's FAS for the first 30 years of service. A factor 1.25 percent is applied to years in excess of 30. The benefit formula for transition Group C applies a factor of 1.0 percent to the member's FAS and the first 35 years of service and a factor of 1.25 percent is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

**Defined Contribution Benefits** – Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions, actual employer contributions and investment gains or losses resulting from the members' investment selections.

**Disability Benefits** – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members participating in the Member-Directed Plan are not eligible for disability benefits.

**Survivor Benefits** – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits.

**Other Benefits** – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased

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**6. DEFINED BENEFIT PENSION PLAN - CONTINUED**

retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

**Contributions** - The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member- Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contribution rates were approved based upon the recommendations of the System’s external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contributions rates, as a percent of covered payroll, were the same for each covered group across all three plans for fiscal year ended June 30, 2016. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

Plan members were required to contribute 10 percent of their annual covered salary. The Authority was required to contribute 14 percent, a portion of which is set aside for funding post-retirement health care coverage. The Authority’s contractually required contributions to OPERS for fiscal year 2016 was \$24,482 for the Traditional Plan, no participation for the Combined Plan or Member-Directed Plan. The full amount was contributed during the fiscal year.

***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 proportion of the net pension liability was based on the Authority’s share on contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<b><u>Traditional</u></b>
Proportionate Share of the Net Pension Liability	\$231,066
Proportion of the Net Pension Liability	0.001334%
Pension Expense	\$33,137

The Authority reported deferred inflows and outflows from the current reporting period of OPERS as of and for the year ended December 31, 2015. This does not include the subsequent employer contribution paid by employer.

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**6. DEFINED BENEFIT PENSION PLAN - CONTINUED**

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 67,713
Authority contributions subsequent to the measurement date	12,578
Total Deferred Outflows of Resources	\$ 80,291
	Total Deferred Inflows
Net difference between projected and actual earnings on pension plan investments	\$ 4,397

The \$12,578 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the fiscal year ending June 30, 2017. Under the Traditional Pension Plan, the 2015 amortization period for the difference between expected and actual experience is 3.1673 years, and 5 years for the net difference between projected and actual investment earning on pension plan investments. These amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2017	\$ (12,154)
2018	(12,154)
2019	(12,154)
2020	(13,310)
2021	(13,544)
Total	\$ (63,316)

**Actuarial Assumptions – OPERS**

OPERS’s total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., future employment, mortality, cost trends). Actuarially determined amounts are subject to continual review and potential modifications, 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.

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**6. DEFINED BENEFIT PENSION PLAN - CONTINUED**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2015
Experience Study	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Wage Inflation	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple

Mortality rates are 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 allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation for 2015</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
<b>TOTAL</b>	<b>100.00%</b>	<b>5.27%</b>

The long term expected 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



**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**6. DEFINED BENEFIT PENSION PLAN – CONTINUED**

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 percent for both the Traditional Pension Plan and the Combined Plan. 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan 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** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

<u>Authority’s Proportionate Share of the Net Pension Liability</u>	<u>1% Decrease 7.0%</u>	<u>Current Discount Rate 8.0%</u>	<u>1% Increase 9.0%</u>
Traditional Pension Plan	\$ 368,144	\$ 231,066	\$ 115,444

**7. POST-EMPLOYMENT BENEFITS**

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-Direct Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Settlement in the OPERS 2015 CAFR for details.

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

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**7. POST-EMPLOYMENT BENEFITS - CONTINUED**

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377, or by using the OPERS website at <http://www.opers.org>

The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment 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 covered payroll of active members. In fiscal year 2016, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding the post-employment health care benefits. The portion of employer contributions allocated to the health care for members in both plans was 2.0 percent for the period ending June 30, 2016.

The OPERS Board of Trustees is also authorized to establish rules for payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Authority contributions for the fiscal year ended June 30, 2016, which were used to fund post-employment benefits were \$3,320.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**8. FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended June 30, 2016, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis. The audited version of the entity wide balance sheet summary and entity wide revenue and expense summary are included as supplemental data. The schedules are presented in the manner prescribed by U. S. Department of Housing and Urban Development.

**9. CONTINGENT LIABILITIES**

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**10. 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 fiscal years.

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**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016, 2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.001334%	0.001302%	0.001302%
Authority's Proportionate Share of the Net Pension Liability	\$231,066	\$157,036	\$153,490
Authority's Covered Employee Payroll	\$174,868	\$165,173	\$156,986
Authority's Proportionate Share of the Net Pension Liability As a Percentage of its Covered Employee Payroll	132.14%	95.07%	97.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	89.19%

(1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

(2) Information prior to 2014 is not available.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required employer contribution	\$24,482	\$23,124	\$21,978	\$23,076	\$20,719	\$24,562	\$21,829	\$22,410	\$19,271	\$19,757
Contributions in Relation to the Contractually Required Contribution	(\$24,482)	(\$23,124)	(\$21,978)	(\$23,076)	(\$20,719)	(\$24,562)	(\$21,829)	(\$22,410)	(\$19,271)	(\$19,757)
Contribution Deficiency (Excess)										
Authority Covered-Employee Payroll	\$174,868	\$165,173	\$156,986	\$164,828	\$147,993	\$175,443	\$155,921	\$160,071	\$138,366	\$150,524
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.93%	13.13%

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Ohio Public Employees' Retirement System***

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

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014, 2015 and 2016.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014, 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE BALANCE SHEET SUMMARY – FDS SCHEDULE SUBMITTED TO HUD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$146,552		\$45,100		\$11,142	\$202,794		\$202,794
113 Cash - Other Restricted	\$0	\$8,280	\$10,487			\$18,767		\$18,767
114 Cash - Tenant Security Deposits	\$28,627					\$28,627		\$28,627
100 Total Cash	\$175,179	\$8,280	\$55,587	\$0	\$11,142	\$250,188	\$0	\$250,188
124 Accounts Receivable - Other Government				\$1,491		\$1,491		\$1,491
126 Accounts Receivable - Tenants	\$2,728					\$2,728		\$2,728
126.1 Allowance for Doubtful Accounts - Tenants	-\$150					-\$150		-\$150
128 Fraud Recovery			\$2,776			\$2,776		\$2,776
128.1 Allowance for Doubtful Accounts - Fraud			-\$220			-\$220		-\$220
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,578	\$0	\$2,556	\$1,491	\$0	\$6,625	\$0	\$6,625
142 Prepaid Expenses and Other Assets	\$12,156		\$665			\$12,821		\$12,821
143 Inventories	\$9,393					\$9,393		\$9,393
143.1 Allowance for Obsolete Inventories	-\$940					-\$940		-\$940
144 Inter Program Due From	\$1,491					\$1,491	-\$1,491	\$0
150 Total Current Assets	\$199,857	\$8,280	\$58,808	\$1,491	\$11,142	\$279,578	-\$1,491	\$278,087
161 Land	\$274,650					\$274,650		\$274,650
162 Buildings	\$4,128,551					\$4,128,551		\$4,128,551
163 Furniture, Equipment & Machinery - Dwellings	\$134,539					\$134,539		\$134,539
164 Furniture, Equipment & Machinery - Administration	\$67,361		\$23,004			\$90,365		\$90,365
165 Leasehold Improvements	\$342,941					\$342,941		\$342,941
166 Accumulated Depreciation	-\$3,089,174		-\$19,321			-\$3,108,495		-\$3,108,495
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,858,868	\$0	\$3,683	\$0	\$0	\$1,862,551	\$0	\$1,862,551
180 Total Non-Current Assets	\$1,858,868	\$0	\$3,683	\$0	\$0	\$1,862,551	\$0	\$1,862,551
200 Deferred Outflow of Resources	\$68,162		\$12,129			\$80,291		\$80,291
290 Total Assets and Deferred Outflow of Resources	\$2,126,887	\$8,280	\$74,620	\$1,491	\$11,142	\$2,222,420	-\$1,491	\$2,220,929

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE BALANCE SHEET SUMMARY – FDS SCHEDULE SUBMITTED TO HUD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELJM	Total
312 Accounts Payable <= 90 Days	\$2,282		\$341			\$2,623		\$2,623
321 Accrued Wage/Payroll Taxes Payable	\$2,479		\$490			\$2,969		\$2,969
322 Accrued Compensated Absences - Current Portion	\$2,118		\$918			\$3,036		\$3,036
341 Tenant Security Deposits	\$28,627					\$28,627		\$28,627
342 Unearned Revenue					\$2,582	\$2,582		\$2,582
346 Accrued Liabilities - Other	\$1,495		\$91			\$1,586		\$1,586
347 Inter Program - Due To				\$1,491		\$1,491	-\$1,491	\$0
310 Total Current Liabilities	\$37,001	\$0	\$1,840	\$1,491	\$2,582	\$42,914	-\$1,491	\$41,423
353 Non-current Liabilities - Other	\$0	\$8,280				\$8,280		\$8,280
354 Accrued Compensated Absences - Non Current	\$1,367		\$1,119			\$2,486		\$2,486
357 Accrued Pension and OPEB Liabilities	\$190,865		\$40,201			\$231,066		\$231,066
350 Total Non-Current Liabilities	\$192,232	\$8,280	\$41,320	\$0	\$0	\$241,832	\$0	\$241,832
300 Total Liabilities	\$229,233	\$8,280	\$43,160	\$1,491	\$2,582	\$284,746	-\$1,491	\$283,255
400 Deferred Inflow of Resources	\$3,643		\$754			\$4,397		\$4,397
508.4 Net Investment in Capital Assets	\$1,858,868	\$0	\$3,683	\$0		\$1,862,551		\$1,862,551
511.4 Restricted Net Position	\$0	\$0	\$10,487	\$0		\$10,487		\$10,487
512.4 Unrestricted Net Position	\$35,143	\$0	\$16,536	\$0	\$8,560	\$60,239		\$60,239
513 Total Equity - Net Assets / Position	\$1,894,011	\$0	\$30,706	\$0	\$8,560	\$1,933,277	\$0	\$1,933,277
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,126,887	\$8,280	\$74,620	\$1,491	\$11,142	\$2,222,420	-\$1,491	\$2,220,929



**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE REVENUE AND EXPENSE SUMMARY – FDS SCHEDULE SUBMITTED TO HUD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$78,740					\$78,740		\$78,740
70400 Tenant Revenue - Other	\$523					\$523		\$523
70500 Total Tenant Revenue	\$79,263	\$0	\$0	\$0	\$0	\$79,263		\$79,263
70600 HUD PHA Operating Grants	\$300,006	\$57,542	\$510,660			\$868,208		\$868,208
70610 Capital Grants	\$48,410					\$48,410		\$48,410
70800 Other Government Grants				\$6,633		\$6,633		\$6,633
71100 Investment Income - Unrestricted	\$830		\$324			\$1,154		\$1,154
71400 Fraud Recovery	\$2,081		\$2,377			\$4,458		\$4,458
71500 Other Revenue	\$11,700		\$3,300		\$3,466	\$18,466		\$18,466
71600 Gain or Loss on Sale of Capital Assets			-\$34,944			-\$34,944		-\$34,944
70000 Total Revenue	\$442,290	\$57,542	\$481,717	\$6,633	\$3,466	\$991,648		\$991,648
91100 Administrative Salaries	\$34,973	\$45,249	\$26,478		\$802	\$107,502		\$107,502
91200 Auditing Fees	\$2,883		\$3,384			\$6,267		\$6,267
91400 Advertising and Marketing	\$402		\$145			\$547		\$547
91500 Employee Benefit contributions - Administrative	\$34,292	\$12,293	\$15,055			\$61,640		\$61,640
91700 Legal Expense	\$3,840					\$3,840		\$3,840
91800 Travel	\$1,590		\$928			\$2,518		\$2,518
91900 Other	\$25,193		\$11,532			\$36,725		\$36,725
91000 Total Operating - Administrative	\$103,173	\$57,542	\$57,522	\$0	\$802	\$219,039		\$219,039
92400 Tenant Services - Other	\$499					\$499		\$499
92500 Total Tenant Services	\$499	\$0	\$0	\$0	\$0	\$499		\$499

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE REVENUE AND EXPENSE SUMMARY – FDS SCHEDULE SUBMITTED TO HUD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
93100 Water	\$79,203		\$117			\$79,320		\$79,320
93200 Electricity	\$10,840		\$470			\$11,310		\$11,310
93300 Gas	\$2,909		\$25			\$2,934		\$2,934
93000 Total Utilities	\$92,952	\$0	\$612	\$0	\$0	\$93,564		\$93,564
94100 Ordinary Maintenance and Operations - Labor	\$44,929			\$5,694	\$812	\$51,435		\$51,435
94200 Ordinary Maintenance and Operations - Materials and Other	\$5,813		\$65			\$5,878		\$5,878
94300 Ordinary Maintenance and Operations Contracts	\$48,133		\$11,888			\$60,021		\$60,021
94500 Employee Benefit Contributions - Ordinary Maintenance	\$41,092			\$939		\$42,031		\$42,031
94000 Total Maintenance	\$139,967	\$0	\$11,953	\$6,633	\$812	\$159,365		\$159,365
96110 Property Insurance	\$17,587		\$662			\$18,249		\$18,249
96100 Total insurance Premiums	\$17,587	\$0	\$662	\$0	\$0	\$18,249		\$18,249
96210 Compensated Absences	\$13,540		\$3,889			\$17,429		\$17,429
96400 Bad debt - Tenant Rents	\$1,426		\$250			\$1,676		\$1,676
96000 Total Other General Expenses	\$14,966	\$0	\$4,139	\$0	\$0	\$19,105		\$19,105
96900 Total Operating Expenses	\$369,144	\$57,542	\$74,888	\$6,633	\$1,614	\$509,821		\$509,821
97000 Excess of Operating Revenue over Operating Expenses	\$73,146	\$0	\$406,829	\$0	\$1,852	\$481,827		\$481,827
97300 Housing Assistance Payments			\$435,176			\$435,176		\$435,176
97400 Depreciation Expense	\$111,377		\$737			\$112,114		\$112,114
90000 Total Expenses	\$480,521	\$57,542	\$510,801	\$6,633	\$1,614	\$1,057,111		\$1,057,111
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$38,231	\$0	-\$29,084	\$0	\$1,852	-\$65,463		-\$65,463
11030 Beginning Equity	\$1,932,242	\$0	\$59,790	\$0	\$6,708	\$1,998,740		\$1,998,740
11170 Administrative Fee Equity			\$20,219			\$20,219		\$20,219
11180 Housing Assistance Payments Equity			\$10,487			\$10,487		\$10,487
11190 Unit Months Available	720		1680			2400		2400
11210 Number of Unit Months Leased	713		1641			2354		2354
11270 Excess Cash	\$111,485					\$111,485		\$111,485
11620 Building Purchases	\$48,410					\$48,410		\$48,410

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>Pass- Through Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Public and Indian Housing - Low Rent Public Housing	N/A	14.850	\$ 300,006
Resident Opportunity and Supportive Services	N/A	14.870	57,542
Section 8 Housing Choice Vouchers	N/A	14.871	510,660
Public Housing Capital Fund	N/A	14.872	48,410
Total Federal Award Expenditures			<u>\$ 916,618</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Morgan Metropolitan Housing Authority (the Authority's) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.



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

Morgan Metropolitan Housing Authority  
Morgan County  
4580 N. St. Rt. 376 NW  
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Morgan Metropolitan Housing Authority, Morgan County, (the Authority) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 11, 2016.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

***Purpose of this Report***

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 11, 2016



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

Morgan Metropolitan Housing Authority  
Morgan County  
4580 N. St. Rt. 376 NW  
McConnelsville, Ohio 43756

To the Board of Directors:

***Report on Compliance for the Major Federal Program***

We have audited the Morgan Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Morgan Metropolitan Housing Authority's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

***Management's Responsibility***

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

***Opinion on the Major Federal Program***

In our opinion, the Morgan Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

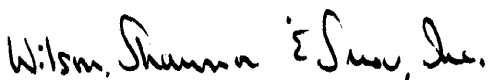
***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

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



Newark, Ohio  
November 11, 2016

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





# Dave Yost • Auditor of State

**MORGAN COUNTY METROPOLITAN HOUSING AUTHORITY**

**MORGAN 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  
JANUARY 24, 2017**