

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY

PREBLE COUNTY, OHIO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Commissioners
Preble County Metropolitan Housing Authority
308 Eaton Lewisburg Road
Eaton, Ohio 45320

We have reviewed the *Independent Auditor's Report* of the Preble County Metropolitan Housing Authority, Preble County, prepared by Bastin & Company, LLC, for the audit period April 1, 2018 through March 31, 2019. 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 Preble County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 16, 2019

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PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Preble County Metropolitan Housing Authority
308 Eaton Lewisburg Road
Eaton, Ohio 45320

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the Preble County Metropolitan Housing Authority, Preble County, Ohio (the Authority), as of and for the year ended March 31, 2019, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Preble County Metropolitan Housing Authority, Preble County, Ohio as of March 31, 2019, and the changes in its financial position and its cash flows for the 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* 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 and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
September 12, 2019

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019
UNAUDITED**

INTRODUCTION

This Management's Discussion and Analysis (MD&A) of the Preble County Metropolitan Housing Authority (Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal year ended March 31, 2019. The Authority presents this discussion and analysis of its financial performance during the year, to assist the reader in focusing on significant financial issues.

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 (beginning on page 9).

FINANCIAL HIGHLIGHTS

During the fiscal year ended March 31, 2019:

- The Authority's net position increased from zero to \$11,405. Total assets increased by \$10,429 or 80%
- Total revenue increased from \$204,953 to \$248,240, an increase of \$43,287 or 21%
- Total expenses increased by \$9,830, from \$227,005 to \$236,835 for the current year. This represents an increase of 4%.

USING THIS ANNUAL REPORT

The following is a list of the components of the financial statements included in this report:

Management 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

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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 potentially reported in three broad categories.

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019
UNAUDITED**

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that have been used for the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position: This component of net position consists of net position that does not meet the definition of Net Investment in Capital Assets, or Restricted Net Position.

The *statement of revenues, expenses and changes in net position* is similar to an income statement. This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as investment income, gains and losses on capital asset disposals and interest expense.

The focus of the statement of revenues, expenses and changes in net position is the Increase (Decrease) in Net Position, which is similar to Net Income or Loss.

The *statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financing activities and investing activities.

The *notes to the basic financial statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.

The Authority's Programs

The Authority has one individual program, the Housing Choice Voucher Program. This program provides rental assistance to aid low income families in affording decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment (HAP) to a landlord on behalf of the tenant. The Authority currently has 52 units available. Funds are provided by the United States Department of Housing and Urban Development (HUD) to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program.

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019
UNAUDITED**

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The following table reflects the condensed Statement of Net Position as of March 31, compared to the prior fiscal year.

Condensed Statement of Net Position

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 23,444	\$ 13,015
Total Assets	<u>\$ 23,444</u>	<u>\$ 13,015</u>
Current Liabilities	\$ 10,008	\$ 11,298
Noncurrent Liabilities	<u>2,031</u>	<u>1,717</u>
Total Liabilities	<u>\$ 12,039</u>	<u>\$ 13,015</u>
Net Position		
Restricted	<u>\$ 11,405</u>	<u>\$ -</u>
Total Net Position	<u>\$ 11,405</u>	<u>\$ -</u>

Major Factors Affecting the Statement of Net Position

The Authority's current asset balances increased by \$10,429. This is primarily due to an increase in restricted cash from \$1,717 in the prior year to \$13,436 in the current year as a result of HUD government operating grants received exceeding housing assistance payment expenses. In contrast, net receivables decreased by \$4,271 due to a reduction in the accrual of additional revenues.

Current liabilities decreased by \$1,290, due primarily to a reduction in accrued managing fees.

Non-current liabilities increased by \$314 due to an increase in long term Family Self Sufficiency (FSS) program liabilities.

The net position of the Authority increased by \$11,405 from zero. This increase was primarily due to HUD operating grants exceeding housing assistance payment expenses.

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019
UNAUDITED**

Statement of Revenues & Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues & Expenses and Changes in Net Position for the year ended March 31, compared to the prior fiscal year.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>
Government Operating Grants	\$ 195,298	\$ 177,616
Other Revenue	<u>52,942</u>	<u>27,337</u>
Total Operating Revenues	<u>248,240</u>	<u>204,953</u>
Administration	28,714	31,400
Insurance	1,300	1,300
Housing Assistance Payments	164,429	171,418
Housing Assistance Payments-Portability Payments	<u>42,392</u>	<u>22,887</u>
Total Operating Expenses	<u>236,835</u>	<u>227,005</u>
Increase (Decrease) in Net Position	11,405	(22,052)
Net Position, Beginning of Year	<u>-</u>	<u>22,052</u>
Net Position, End of Year	<u>\$ 11,405</u>	<u>\$ -</u>

Major Factors Affecting the Statement of Net Position

Revenues of the Authority are principally generated from Federal funding. The Authority's revenue increased by \$43,287 compared to the previous fiscal year. Significant variances include the following:

- Government operating grants increased by \$17,682. This was primarily due to an increase in funding received for HAP expenditures from \$158,570 in the previous year to \$174,998 in the current year.
- Other revenue increased by \$25,605 due to an increase in portability-in activity.

Total expenses increased \$9,830. Significant variances include the following:

- Administration decreased by \$2,686. This was primarily due to a decrease in management fees paid to a third party in the amount of \$5,212, and training in the amount of \$363. Increases in administration include audit fees \$1,282, office expenses in the amount of \$1,596 and miscellaneous admin expenses in the amount of \$11.

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019
UNAUDITED**

- Housing assistance payments decreased by \$6,989 due to a reduction in rents paid to landlords. This was despite an increase in unit months leased. Unit months leased increased from 415 in 2018 to 430 in 2019.
- HAP costs related to portability-in units increased by \$19,505 due to an increase in portability-in vouchers during the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2019 and 2018 the Authority's net investment in capital assets was \$0. Prior year fully depreciated equipment was disposed of during the current fiscal year.

Summary Statement of Capital Assets

Category	<u>2019</u>	<u>2018</u>
Equipment	\$ -	\$ 968
Accumulated Depreciation	<u>-</u>	<u>(968)</u>
 Total Net Capital Assets	 <u>\$ -</u>	 <u>\$ -</u>

Debt

As of March 31, 2019 and 2018 the Authority maintained no debt.

ECONOMIC CONDITIONS

Significant economic factors affecting the Authority are as follows:

- Federal funding is at the discretion of the Department of Housing and Urban Development
- 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

Due to the 2019 Congressional Appropriations, the 2019 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at an estimated 79.569% and HAP funding at 100%.

The Authority has maneuvered through past difficult times by making sound financial decisions including reducing expenses where possible. The Authority will continue to monitor the resources made available to provide housing services to those we serve.

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019
UNAUDITED**

CONTACTING THE AUTHORITY

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Preble County Metropolitan Housing Authority
Deborah Donnelly, Chief Finance Officer
304 Eaton Lewisburg Road
Eaton, OH 45320

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
Proprietary Fund
March 31, 2019

ASSETS

Current assets

Cash and cash equivalents	\$	3,278
Restricted cash		13,436
Receivables, net		6,730
Total current assets		<u>23,444</u>
Total assets	\$	<u><u>23,444</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$	10,008
Total current liabilities		<u>10,008</u>

Noncurrent liabilities

Non-current liabilities - other		2,031
Total noncurrent liabilities		<u>2,031</u>
Total liabilities		<u><u>12,039</u></u>

NET POSITION

Restricted net position		11,405
Total net position		<u>11,405</u>
Total liabilities and net position	\$	<u><u>23,444</u></u>

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended March 31, 2019

OPERATING REVENUES

Government operating grants	\$ 195,298
Other revenue	52,942
Total operating revenues	<u>248,240</u>

OPERATING EXPENSES

Administrative	28,714
Insurance	1,300
Housing assistance payments	164,429
Housing assistance payments-portability payments	42,392
Total operating expenses	<u>236,835</u>

Operating income	11,405
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Total net position - beginning	-
Total net position - ending	<u><u>\$ 11,405</u></u>

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantors	\$ 198,475
Other income received	54,350
Cash paid operating activities	(31,304)
Cash paid for housing assistance	<u>(206,821)</u>

Net cash provided by operating activities **14,700**

Cash and cash equivalents - Beginning of Year 2,014

Cash and cash equivalents - End of Year **\$ 16,714**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income \$ 11,405

Adjustments to Reconcile Net Operating Income to net Cash Provided by Operating Activities:

(Increase) decrease in accounts receivable	4,271
Increase (decrease) in accounts payable	(1,290)
Increase (decrease) in non-current liabilities - other	314

Net cash provided by operating activities **\$ 14,700**

The notes to the financial statements are an integral part of these

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 1 – DESCRIPTION OF THE ENTITY

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

Reporting Entity

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14 (as amended by GASB Statement No. 61), the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America. 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.

Basis of Presentation

The Authority's 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.

Fund Accounting

The Authority maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses.

The Authority uses a single enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the Authority is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

Basis of Accounting

Enterprise fund transactions are recorded on the accrual basis of accounting; revenues are recognized when earned and measurable and expenses are recognized as incurred.

Measurement Focus

Enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

Restricted Cash

Restricted cash consists of amounts held in escrow under the Family Self-Sufficiency (FSS) program, \$2,031 and HAP revenues in excess of HAP expenditures, \$11,405. The FSS program is designed to promote employment and increase savings among families receiving vouchers or living in public housing.

Accounts Receivable

Accounts receivable consist mainly of amounts due from various funding agencies for program costs incurred that have not been reimbursed at year-end. Accounts receivable also include \$1,918 for fraud recovery all of which is considered as uncollectable at March 31, 2019.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture, equipment and machinery	3-5 years
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Net Position

Net position represents the difference between assets and liabilities.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings that have been used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Revenue Recognition

Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Other receipts are recognized when the related expenses are incurred. Expenses are recognized as incurred.

Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are operating housing assistance payments subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Taxes

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

Estimates

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

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

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

At March 31, 2019, the carrying balance was \$16,714 and the bank balance was \$17,189. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2019, the Authority was not exposed to custodial risk as discussed below, as the \$17,189 bank balance was covered by the Federal Depository Insurance Corporation.

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

NOTE 4 – RELATED PARTY TRANSACTIONS

The Authority does not have any employees. Instead, the Authority contracts with Miami Valley Community Action Partnership (MVCAP) to provide financial services for the Authority. MVCAP designates certain employees to maintain the Authority's records. MVCAP is a nonprofit entity providing resources for the purpose of assisting low income individuals through a variety of programs supported by federal and state government grants.

During the fiscal year, the Authority paid MVCAP \$16,509 for management and fiscal services.

NOTE 5 – CAPITAL ASSETS

During 2019, the Authority disposed of obsolete, fully depreciated office equipment it had been carrying at a cost of \$968.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2019, the Authority contracted with Cincinnati Insurance Company for commercial property and general liability coverage of \$1,000,000.

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

NOTE 7 – CONTINGENCIES

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY (OH080)
ENTITY WIDE BALANCE SHEET SUMMARY - FDS SCHEDULE SUBMITTED TO HUD
MARCH 31, 2019

	<u>14.871 Housing Choice Vouchers</u>
111 Cash - Unrestricted	\$3,278
113 Cash - Other Restricted	<u>\$13,436</u>
100 Total Cash	<u>\$16,714</u>
122 Accounts Receivable - HUD Other Projects	\$261
125 Accounts Receivable - Miscellaneous	\$6,469
128 Fraud Recovery	\$1,918
128.1 Allowance for Doubtful Accounts - Fraud	<u>(\$1,918)</u>
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>\$6,730</u>
150 Total Current Assets	<u>\$23,444</u>
290 Total Assets	<u><u>\$23,444</u></u>
312 Accounts Payable <= 90 Days	\$8,702
332 Account Payable - PHA Projects	<u>\$1,306</u>
310 Total Current Liabilities	<u>\$10,008</u>
353 Non-current Liabilities - Other	<u>\$2,031</u>
350 Total Non-Current Liabilities	<u>\$2,031</u>
300 Total Liabilities	<u>\$12,039</u>
511.4 Restricted Net Position	<u>\$11,405</u>
513 Total Equity - Net Assets / Position	<u>\$11,405</u>
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u><u>\$23,444</u></u>

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY (OH080)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY - FDS SCHEDULE SUBMITTED TO HUD
FOR THE YEAR ENDED MARCH 31, 2019

	<u>14.871 Housing Choice Vouchers</u>
70600 HUD PHA Operating Grants	\$195,298
71400 Fraud Recovery	\$16
71500 Other Revenue	<u>\$52,926</u>
70000 Total Revenue	<u>\$248,240</u>
91200 Auditing Fees	\$6,010
91300 Management Fee	\$16,509
91400 Advertising and Marketing	\$37
91600 Office Expenses	\$2,108
91800 Travel	\$268
91900 Other	\$3,782
96120 Liability Insurance	\$1,300
97300 Housing Assistance Payments	\$164,429
97350 HAP Portability-In	<u>\$42,392</u>
90000 Total Expenses	<u>\$236,835</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$11,405
11030 Beginning Equity	<u>\$0</u>
11180 Housing Assistance Payments Equity	<u><u>\$11,405</u></u>
11190 Unit Months Available	525
11210 Number of Unit Months Leased	430

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Bastin & Company, LLC

Certified Public Accountants

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

Board of Commissioners
Preble County Metropolitan Housing Authority
308 Eaton Lewisburg Road
Eaton, Ohio 45320

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Preble County Metropolitan Housing Authority, Preble County, Ohio (the Authority) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 12, 2019.

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*.

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 report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
September 12, 2019

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
MARCH 31, 2019**

Finding Number	Finding Summary	Status	Additional Information
	There were no prior audit findings		

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OHIO AUDITOR OF STATE KEITH FABER



PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2019**