

Highland Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Highland Metropolitan Housing Authority
121 East East Street
Washington Court House, OH 43160

We have reviewed the *Independent Auditor's Report* of the Highland Metropolitan Housing Authority, Highland County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2019 through December 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 Highland 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

November 6, 2020

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HIGHLAND METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Highland Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Highland Metropolitan Housing Authority, Ohio, as of and for the year ended December 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Highland Metropolitan Housing Authority as of December 31, 2019, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. I did not modify my opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule ("FDS") is not required part of the basic financial statements.

The financial data schedule (FDS) is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the financial data schedule ("FDS") are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 28, 2020, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my 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.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
August 28, 2020

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Highland 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- During FY 2019, the Authority’s Net Position increased by \$16,515 or 27.99%. Since the Authority engages only in business-type activities, the increase is all in the category of business-type Net Position. Net Position was \$59,007 and \$75,522 for FY 2018 and FY 2019, respectively.
- The revenue increased by \$44,736 (or 10.11%) during FY 2019 and was \$442,656 and \$487,392 for FY 2018 and FY 2019, respectively.
- The total expenses of the Authority increased by \$27,772 (or 6.27%). Total expenses were \$443,105 and \$470,877 for FY 2018 and FY 2019, respectively.

USING THIS ANNUAL REPORT

The Report includes the following sections:

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 ~
Supplementary and Other Information ~ Financial Data Schedules ~ ~ Schedule of Federal Awards Expenditures ~

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)**

The primary focus of the Authority’s financial statement is on the Authority as a whole (Authority-wide). The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

Government-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is like a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Position”, formerly known as 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 (formerly equity) is reported in three broad categories:

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

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”.

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

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

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)**

Fund Financial Statements

The Authority consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is like accounting utilized in the private sector. The fund maintained by the Authority is required by the Department of Housing and Urban Development (HUD).

Business-Type Activities:

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

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

Mainstream Vouchers – This Program is exactly like the HCV except it only subsidizes households where one or more family members have a disability.

Statement of Net Position

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

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

	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ <u>75,880</u>	\$ <u>59,340</u>
Current Liabilities	\$ 358	\$ 333
Net Position:		
Restricted Net Position	11,724	0
Unrestricted Net Position	<u>63,798</u>	<u>59,007</u>
Total Net Position	<u>75,522</u>	<u>59,007</u>
Total Liabilities, Deferred Inflows and Net Position	\$ <u>75,880</u>	\$ <u>59,340</u>

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)**

Major Factors Affecting the Statement of Net Position

Current assets increased by \$16,540 or 27.87% because of the additional funding from HUD. Liabilities increased slightly by \$25.

No change in Capital Assets. No new purchases, no depreciation; assets are fully depreciated. For more detail see "Capital Assets and Debt Administration" below.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted and Restricted Net Position provides a clearer change in financial well-being.

Table 2 - Change of Net Position

	Unrestricted	Restricted
Beginning Balance	\$ 59,007	\$ 0
Results of Operation	4,791	11,724
Ending Balance	\$ 63,798	\$ 11,724

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 on in Business-Type Activities.

Table 3 - Statement of Revenue, Expenses & Changes in Net Position

	2019	2018
<u>Revenues</u>		
HUD Operating Grants	\$ 456,661	\$ 425,504
Investment Income	170	154
Other Revenues	30,561	16,998
Total Revenues	487,392	442,656
<u>Expenses</u>		
Administrative	53,902	53,654
Housing Assistance Payments	416,975	389,451
Total Expenses	470,877	443,105
Changes in Net Position	16,515	(449)
Net Position - Beginning	59,007	59,456
Net Position - Ending	\$ 75,522	\$ 59,007

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)**

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

Total amount of HUD PHA Grants for FY 2019 increased by \$31,157 or 7.32% this includes both Administrative Fees and Housing Assistance Payments. The increase is partially because the Mainstream Program that was added in 2019. Also, there was an increase during the year of funding received in Housing Assistance Payments for the Housing Choice Voucher Program of \$27,524 or 7.07% increase.

Leasing rate for 2019 decreased to 1,188-unit months leased out of 1,230 available or 96.58%. Compared to 2018 1,163-unit months leased out of 1,200 or 96.92%.

Net increase for FY 2019 reflects the increase of \$11,724 in the Restricted HAP funds and an increase of \$4,791 in Administrative funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 12/31/19, the Authority had \$0 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation).

Table 4 - Capital Assets at Year End

	<u>2019</u>	<u>2018</u>
Equipment	\$ 33,464	\$ 33,464
Accumulated Depreciation	<u>(33,464)</u>	<u>(33,464)</u>
 Total	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>

Debt Outstanding

As of December 31, 2019, the Authority has no outstanding debt (bonds, notes, etc.)

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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 amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Nancy Reed; Executive Director for the Highland Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
December 31, 2019

ASSETS

Current assets

Cash and cash equivalents	\$	61,522
Restricted cash and cash equivalents		11,724
Receivables, net		2,634
Total current assets		75,880

<i>Total assets</i>	\$	75,880
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LIABILITIES

Current liabilities

Accounts payable	\$	358
Total current liabilities		358

<i>Total liabilities</i>	\$	358
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NET POSITION

Restricted net position	\$	11,724
Unrestricted net position		63,798
<i>Total net position</i>	\$	75,522

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

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2019

<i>OPERATING REVENUES</i>	
HUD operating grants	\$ 456,661
Other operating revenue	30,561
Total operating revenues	<u>487,222</u>
 <i>OPERATING EXPENSES</i>	
Administrative	53,902
Housing assistance payment	416,975
Total operating expenses	<u>470,877</u>
Operating income (loss)	<u>16,345</u>
 <i>NONOPERATING REVENUES (EXPENSES)</i>	
Interest income	170
Total nonoperating revenues (expenses)	<u>170</u>
Change in net position	16,515
Beginning net position	59,007
Total net position - ending	<u>\$ 75,522</u>

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

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$ 457,637
Other revenue received	30,561
Cash payments for administrative	(50,264)
Cash payments for HAP	<u>(416,975)</u>
Net cash provided (used) by operating activities	<u>20,959</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>170</u>
Net cash provided (used) by investing activities	<u>170</u>
 Net increase (decrease) in cash	
	21,129
Cash and cash equivalents - Beginning of year	<u>52,117</u>
Cash and cash equivalents - End of year	<u>\$ 73,246</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ 16,345
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- (Increase) Decrease in Accounts Receivable	989
- (Increase) Decrease in Prepaid Assets	3,600
- Increase (Decrease) in Accounts Payable	<u>25</u>
Net cash provided (used) by operating activities	<u>\$ 20,959</u>

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

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

The definition of 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 can 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.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

The Authority's financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

Measurement Focus

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

Fund Accounting

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

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

Proprietary Fund Types

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

Enterprise Fund – The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Accounting and Reporting for Nonexchange Transactions

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

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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- Government-mandated non-exchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary non-exchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

The Authority grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions. GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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.

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

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 deferred revenue and the provider of those resources would record an advance.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight-line method over the 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 assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

<u>Description</u>	<u>Estimated Useful Life – Years</u>
Furniture & Equipment	3-7
Computer Hardware & Software	3

Tenant/Fraud Receivables-net of allowance

Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant/fraud receivable balances at the end of the year. The allowance for doubtful accounts was \$2,424 on December 31, 2019.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of \$11,724.

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation. As of December 31, 2019, the Authority had no investment in capital asset because the assets were fully depreciated.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority had \$11,724 reported in restricted net position for HAP reserves at December 31, 2019.

Estimates

The preparation of the basic 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, deferred outflow of resources, liabilities, and deferred inflow of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues.

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

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

At fiscal year-end December 31, 2019, the carrying amount of the Authority's deposits totaled \$73,246 and its bank balance was \$73,246. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2019, no amount was exposed to custodial risk as discussed below and the full 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 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds as specific collateral held at the Federal Reserve in the name of the Authority.

3. RESTRICTED CASH AND NET POSITION

Restricted cash balance of \$11,724 represents advanced from HUD to be used for Housing Assistance Payments.

4. RISK MANAGEMENT

The Authority utilizes private insurance carriers for comprehensive coverage of real property, vehicles and furnishings & equipment and health. Individual policies allow for coverage for bodily injury and property damage liabilities. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three fiscal years.

5. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2019:

	Balance at <u>1/01/19</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>12/31/19</u>
Furniture & equipment	\$33,464	\$ 0	\$ 0	\$33,464
Accumulated depreciation	<u>(33,464)</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>(33,464)</u>
TOTAL Capital assets, net	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 0</u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

6. ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

7. CONTINGENT LIABILITIES

A. Grants

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 or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2019.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

8. MANAGEMENT SERVICES CONTRACT

The Authority has contracted with Fayette Metropolitan Housing Authority for management services including management and operations of the Housing Choice Voucher Program meeting all HUD program requirements. Fayette Metropolitan Housing Authority has contracted with Fayette County Commissioners for management services. Highland Metropolitan Housing Authority has no employees and is staffed by personnel subcontracted from the Fayette County Commissioners.

9. ADMINISTRATIVE FEE

The Authority receives an 'Administrative fee' as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Section 8 Housing Choice Voucher Program. The fee is a percentage of a HUD-determined base rate for each unit leased at the first of each month under HAP contracts.

10. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The investments of the pension and other employee benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2019

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$0	\$61,522	\$61,522	\$0	\$61,522
113 Cash - Other Restricted	\$7,867	\$3,857	\$11,724	\$0	\$11,724
100 Total Cash	\$7,867	\$65,379	\$73,246	\$0	\$73,246
122 Accounts Receivable - HUD Other Projects	\$187	\$2,447	\$2,634	\$0	\$2,634
128 Fraud Recovery	\$0	\$2,424	\$2,424	\$0	\$2,424
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$2,424	-\$2,424	\$0	-\$2,424
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$187	\$2,447	\$2,634	\$0	\$2,634
144 Inter Program Due From	\$0	\$187	\$187	-\$187	\$0
145 Assets Held for Sale	\$0	\$0	\$0	\$0	\$0
150 Total Current Assets	\$8,054	\$68,013	\$76,067	-\$187	\$75,880
164 Furniture, Equipment & Machinery - Administration	\$0	\$33,464	\$33,464	\$0	\$33,464
166 Accumulated Depreciation	\$0	-\$33,464	-\$33,464	\$0	-\$33,464
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$8,054	\$68,013	\$76,067	-\$187	\$75,880
312 Accounts Payable <= 90 Days	\$0	\$358	\$358	\$0	\$358
347 Inter Program - Due To	\$187	\$0	\$187	-\$187	\$0
310 Total Current Liabilities	\$187	\$358	\$545	-\$187	\$358
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2019

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
300 Total Liabilities	\$187	\$358	\$545	-\$187	\$358
508.4 Net Investment in Capital Assets	\$0	\$0	\$0	\$0	\$0
511.4 Restricted Net Position	\$7,867	\$3,857	\$11,724	\$0	\$11,724
512.4 Unrestricted Net Position	\$0	\$63,798	\$63,798	\$0	\$63,798
513 Total Equity - Net Assets / Position	\$7,867	\$67,655	\$75,522	\$0	\$75,522
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,054	\$68,013	\$76,067	-\$187	\$75,880
70600 HUD PHA Operating Grants	\$10,048	\$446,613	\$456,661	\$0	\$456,661
71100 Investment Income - Unrestricted	\$2	\$168	\$170	\$0	\$170
71400 Fraud Recovery	\$0	\$248	\$248	\$0	\$248
71500 Other Revenue	\$0	\$30,313	\$30,313	\$0	\$30,313
70000 Total Revenue	\$10,050	\$477,342	\$487,392	\$0	\$487,392
91200 Auditing Fees	\$0	\$2,854	\$2,854	\$0	\$2,854
91300 Management Fee	\$0	\$43,200	\$43,200	\$0	\$43,200
91600 Office Expenses	\$189	\$4,676	\$4,865	\$0	\$4,865
91900 Other	\$0	\$2,983	\$2,983	\$0	\$2,983
91000 Total Operating - Administrative	\$189	\$53,713	\$53,902	\$0	\$53,902
96900 Total Operating Expenses	\$189	\$53,713	\$53,902	\$0	\$53,902
97000 Excess of Operating Revenue over Operating Expenses	\$9,861	\$423,629	\$433,490	\$0	\$433,490

Highland Metropolitan Housing Authority
 Financial Data Schedule
 For the Year Ended December 31, 2019

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97300 Housing Assistance Payments	\$1,994	\$386,978	\$388,972	\$0	\$388,972
97350 HAP Portability-In	\$0	\$28,003	\$28,003	\$0	\$28,003
90000 Total Expenses	\$2,183	\$468,694	\$470,877	\$0	\$470,877
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$7,867	\$8,648	\$16,515	\$0	\$16,515
11030 Beginning Equity	\$0	\$59,007	\$59,007	\$0	\$59,007
11170 Administrative Fee Equity	\$0	\$63,798	\$63,798	\$0	\$63,798
11180 Housing Assistance Payments Equity	\$7,867	\$3,857	\$11,724	\$0	\$11,724
11190 Unit Months Available	30	1,200	1,230	\$0	1,230
11210 Number of Unit Months Leased	4	1,184	1,188	\$0	1,188

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

Board of Commissioners
Highland Metropolitan Housing Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Highland Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Highland Metropolitan Housing Authority, Ohio's basic financial statements, and have issued my report thereon dated August 28, 2020, wherein we noted the Authority considered the financial impact of COVID-19 as disclosed in Note 10.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.

North Royalton, Ohio

August 28, 2020

OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND METROPOLITAN HOUSING AUTHORITY

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/19/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov