

MARION METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2015

Together with Auditors' Report



Dave Yost • Auditor of State

Board of Trustees
Marion Metropolitan Housing Authority
PO Box 1029
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Marion Metropolitan Housing Authority, Marion County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Marion 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

February 16, 2016

This page intentionally left blank.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION, OHIO**

Table of Content

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Statement of Net Position	10
Statement of Revenues and Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13
Financial Data Schedule – Balance Sheet	32
Financial Data Schedule – Statement of Revenue, Expenses Changes in Equity	33
Financial Data Schedule – Additional Information Required by HUD	34
Schedule of Authority's Proportionate Share of the Net Pension Liability	35
Schedule of Authority's Contributions	36
Notes to the Required Supplementary Information	37
Schedule of Expenditures of Federal Awards	38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	39
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	41
Schedule of Findings	43
Summary Schedule of Prior Audit Findings	44

This page intentionally left blank.



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Marion Metropolitan Housing Authority, Marion County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Marion Metropolitan Housing 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

My responsibility is to opine on these financial statements based on my audit. I 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 me 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 my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Marion Metropolitan Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Marion Metropolitan Housing Authority's internal control. Accordingly, I express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support 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 Marion Metropolitan Housing Authority, Marion County, Ohio as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 6 and 7 to the financial statements, during the year ended June 30, 2015, the Authority adopted the provisions of Governmental Accounting Standards No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transitions for Contributions Made Subsequent to the Measurement Date. 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 this presentation to include *Management's discussion and analysis*, 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. I 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 my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

My audit was conducted to opine on the Marion Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is 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*, I have also issued my report dated October 27, 2015 on my consideration of the Marion Metropolitan Housing 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 Marion Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

October 27, 2015

Marion Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The Marion Metropolitan Housing Authority's (the Authority's) 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.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

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 (beginning on page 10).

FINANCIAL HIGHLIGHTS

- During FY 2015, the Authority net position increased by \$10,541 (or 3.79%) Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was \$278,383 and \$288,924 for FY 2014 and FY 2015 respectively.
- The revenue increased by \$422,845 (or 15.37%) during FY 2015, and was \$2,751,625 and \$3,174,470 for FY 2014 and FY 2015 respectively.
- The total expenses of the Authority increased by \$179,033 (or 6.11%). Total expenses were \$2,930,855 and \$3,082,888 for FY 2014 and FY 2015 respectively.

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 10-12) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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

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

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

Restricted Net Position: This component of Net Position consists of restricted assets, 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 Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to 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 similar to Net Income or Loss.

Finally, Statement of Cash Flows (see page 12) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority’s Funds

Business Type Funds

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 and 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 Program – Under the Mainstream Voucher Program, the Authority provides housing assistance payments to participating owners on behalf of eligible tenants, i.e., families having a person with disabilities.

Other Program - In addition to the major funds above, the Authority also maintains the following non-major fund. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses. The only other activity the Authority is involved with is listed below:

Home Investment Partnership Program – grant monies are received from local sources to administer this program in a manner similar to the Housing Choice Voucher Program.

AUTHORITY-WIDE STATEMENT

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

STATEMENT OF NET POSITION

	FY 2014	FY 2015
Current and Other Assets	\$ 323,597	\$ 354,077
Capital Assets	1,911	21,209
Deferred Outflow of Resources	<u>0</u>	<u>4,305</u>
Total Assets	<u>325,508</u>	<u>379,591</u>
Other Liabilities	33,313	5,244
Non-Current Liabilities	11,602	84,005
Deferred Inflow of Resources	<u>0</u>	<u>1,418</u>
Total Liabilities	<u>44,915</u>	<u>90,667</u>
Net Position:		
Net Investment in Capital Assets	1,911	21,209
Restricted	22,950	93,407
Unrestricted	<u>253,522</u>	<u>174,308</u>
Total Net Position	<u>\$ 278,383</u>	<u>\$ 288,924</u>

For more detailed information see page 10 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current assets (primarily cash and investments) were increased by \$30,480 or 9.42% as a result of an increase in funding and the current year surplus. Total liabilities were increased by \$45,752 or 1.01%. GASB 68 forced the addition of \$80,688 for Pension liabilities.

The Capital Assets had a net increase of \$19,298 due to additions or purchases, disposition of assets and current year's depreciation. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Position and Table 3 the details on the change in Restricted Net Position.

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/14		\$ 253,523
Results of Operations	21,084	
Adjustments:		
Depreciation (1)	2,583	
Prior Period Adjustment (2)	(78,866)	
Prior Period Adjustment (3)	(1,047)	
Prior Period Adjustment (4)	(1,088)	
Adjusted Results from Operations		(57,334)
Capital Expenditures		<u>(21,881)</u>
Unrestricted Net Position 6/30/15		<u><u>\$ 174,308</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position
- (2) From GASB 68 - Pension Net Liability beginning balance
- (3) Deferred Outflow of Resources – Pension Contributions
- (4) HUD adjust FY14 DV year end H-52681form

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

TABLE 3

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position 6/30/14		\$ 22,950
Results of Operations		
HAP reserves unspent	69,787	
Fraud Recovery payments net of bad debts	670	
Adjusted Results from Operations		<u>70,457</u>
Restricted Net Position 6/30/15		<u><u>\$ 93,407</u></u>

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position compared to prior year.

TABLE 4**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.

	FY 2014	FY 2015
Revenues		
HUD PHA Operating Grants	\$ 2,734,566	\$ 3,144,488
Investment Income-ALL	949	578
Other Revenues – Port Admin. Fees/HAP	7,661	18,614
Other Revenues - Service Income	6,450	9,450
Other Revenues – Fraud Recovery-All	1,999	1,340
Total Revenue	<u>2,751,625</u>	<u>3,174,470</u>
Expenses		
Administrative	326,681	298,868
Maintenance	4,197	7,821
General	10,521	6,470
Housing Assistance Payments	2,561,564	2,767,146
Depreciation	892	2,583
Total Expenses	<u>2,903,855</u>	<u>3,082,888</u>
Net Increase/ (Decrease)	<u>\$ (152,230)</u>	<u>\$ 91,582</u>

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

HUD PHA Operating Grants increased by \$409,922 or 14.99%. There were increases in funding and increases in leasing. Fy15 had 7,300 unit months leased compared to 6,846 in FY14. (6.63% increase) Both had the affect of increases in Housing Assistance Payments of \$205,582 or 8.03%.

Administrative Expenses decreases continue to reflect the staffing changes.

The net increase for 2015 should be broken into HAP funds & PHA funds as follows: \$70,240 increase to the Restricted HAP (NRA) and \$21,342 increase to the Authority's funds (UNA).

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

As of 6/30/15 the Authority had \$21,209 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 5

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

	Business-Type Activities	
	FY 2014	FY 2015
Equipment – Administrative	\$ 31,466	\$ 39,124
Accumulated Depreciation	<u>(29,555)</u>	<u>(17,915)</u>
Total	<u>\$ 1,911</u>	<u>\$ 21,209</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

TABLE 6

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2014	\$ 1,911
Additions	21,881
Deductions	
Depreciation	<u>(2,583)</u>
Ending Balance, June 30, 2015	<u>\$ 21,209</u>

This year’s major additions are: \$6,400 Phone System & \$15,481 2011 Honda.

Debt Outstanding

As of 6/30/15, the Authority has no outstanding debt (bonds, notes, etc.)

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 Marsha K. Inscho; Finance Manager for the Marion Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Marion, OH 44901.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 242,740
Restricted Cash (Note 3)	93,407
Accounts Receivable - Fraud Recovery	11,211
Allowance for Doubtful Accounts	(11,211)
Accounts Receivable - Other	14,684
Prepaid Expenses	3,246
Total Current Assets	<u>354,077</u>

Non-Current Assets

Depreciation Capital Assets - (Note 5)	<u>21,209</u>
Total Non-Current Assets	21,209

Deferred Outflow of Resources	<u>4,305</u>
-------------------------------	--------------

TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 379,591</u></u>
---	--------------------------

LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 2,545
Accrued Expenses	1,611
Accounts Payable – HUD	1,088
Total Current Liabilities	<u>5,244</u>

Non-Current Liabilities

Accrued Compensated Absences	3,317
Accrued Pension and OpEB	<u>80,688</u>
Total Non-Current Liabilities	<u>84,005</u>
Total Liabilities	<u><u>\$ 89,249</u></u>

Deferred Inflow of Resources	<u><u>\$ 1,418</u></u>
------------------------------	------------------------

Net Position

Net Investment in Capital Assets	\$ 21,209
Restricted	93,407
Unrestricted	174,308
Total Net Position	<u><u>\$ 288,924</u></u>

The accompanying notes are an integral part of the financial statements.

MARION METROPOLITAN HOUSING
AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 3,144,488
Fraud Recovery	1,340
Other Revenue	28,064
Total Operating Revenue	<u>3,173,892</u>

Operating Expenses:

Housing Assistance Payments	2,767,146
Other Administrative Expense	298,868
Material and Labor - Maintenance	7,821
Depreciation Expense	2,583
General Expenses	6,470
Total Operating Expenses	<u>3,082,888</u>

Operating Income (Loss)	91,004
-------------------------	--------

Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	<u>578</u>
Total Non-Operating Revenues (Expenses)	578

Change in Net Position	91,582
------------------------	--------

Net Position - Beginning of Year as Previously Reported	278,343
---	---------

Prior Period Adjustments (Note 13)	<u>(81,001)</u>
------------------------------------	-----------------

Net Position - Beginning of Year as Restated	<u>197,342</u>
--	----------------

Net Position - End of Year	<u><u>\$ 288,924</u></u>
----------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities:	
Cash Received from HUD	\$ 3,144,488
Cash Received from Other Income	29,404
Cash Payments for Housing assistance payments	(2,767,146)
Cash Payments for Administrative	(352,592)
Cash Payments for Other Operating Expenses	<u>(6,470)</u>
Net Cash Provided (Used) by Operating Activities	47,684
Cash Flows From Capital and Related Financing Activities:	
Fixed Assets Addition	<u>(21,881)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,881)
Cash Flows From Investing Activities:	
Investment Income	<u>578</u>
Net Cash Provided (Used) by Investing Activities	578
Increase (Decrease) in Cash and Cash Equivalents	26,381
Cash and Cash Equivalents - Beginning of Year	<u>309,766</u>
Cash and Cash Equivalents - End of Year	<u>\$ 336,147</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 91,004
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	2,583
(Increase) decrease in:	
Accounts Receivable	(6,698)
Prepaid Expenses	2,599
Deferred Outflow of Resources	(4,305)
Increase (decrease) in:	
Accounts Payable	(26,568)
Compensated Absences	(10,646)
Unearned Revenue	(2,210)
Accrued Pension and OpEB	735
Deferred Inflow of Resources	1,418
Accrued Expenses	<u>(228)</u>
Net cash used in operating activities	<u>\$ 47,684</u>

The accompanying notes are an integral part of the financial statements.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Marion 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 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 GASB Statement No. 39, Determining Whether Organizations are Component Units, 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.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

Fund Accounting

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

Proprietary Fund Type:

Proprietary funds are used to account for the Authority's ongoing activities that are similar to those found in the private sector. The following is the 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.

Measurement Focus/Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis. GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority's basic financial statements:

Basic Financial Statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 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 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.

Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting Net Position, equity, or fund balance as restricted.

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.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions (continued)

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.

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.

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:

Estimated Useful Description Lives - Years

Furniture	7
Equipment	7
Computer hardware	3
Computer software	3
Vehicles	5

Total depreciation expense for the 2015 fiscal year was \$2,583.

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.

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. 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.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences (continued)

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 current liability.

Net Position

Net Position represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are 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. The amount reported as restricted Net Position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted Net Position are available, the Authority first applies restricted Net Position. Net Position restricted by HUD was \$93,407.

Estimates

The preparation of the 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 basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

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 necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal period.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

Pensions

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 interest bearing accounts. Security shall be furnished for all accounts in the Authority's name. Cash and cash equivalents included in the Authority's cash position at June 30, 2015 are as follows:

Demand Deposits:	Checking	Savings	Total
Bank Balance	\$ 83,130	\$261,617	\$ 344,747
Reconciling Items	<u>(8,625)</u>	<u>0</u>	<u>(8,625)</u>
Carrying Balance	<u>\$ 74,505</u>	<u>\$261,617</u>	<u>\$ 336,122</u>

In addition, the Authority maintains \$25 in petty cash funds. Of the fiscal year-end cash balance, \$250,000 was covered by federal deposit insurance, and \$94,747 was secured by pledges securities held by a third party trustee.

Based on the Authority having only demand deposits at June 30, 2015, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

3. RESTRICTED CASH

Restricted cash balance as of June 30, 2015 of \$93,407 represents unspent HAP funding provided for the Housing Choice Voucher program.

4. 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 2010, the Authority purchased commercial insurance for vehicle, health, generally liability, building contents, and real property insurance.

Vehicle insurance carries a \$100 comprehensive deductible and \$250 collision deductible. Property insurance carries a \$250 deductible. The deductible for general liability and electronic data processing insurance are \$250 each. The deductible for public officials' liability insurance is \$2,500.

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

5. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2015:

	<u>6/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2015</u>
Governmental Activities – Cost				
Vehicles	\$ 9,060	15,481	(8,561)	\$ 15,980
Furniture, Equipment, and Machinery	<u>26,365</u>	<u>6,400</u>	<u>(5,664)</u>	<u>27,101</u>
Total at Cost	35,425	21,881	(14,225)	43,081
Accumulated Depreciation:				
Vehicles	(8,561)	(1,290)	8,561	(1,290)
Furniture, Equipment and Machinery	<u>(24,953)</u>	<u>(1,293)</u>	<u>5,664</u>	<u>(20,582)</u>
Total Accumulated Depreciation	<u>(33,514)</u>	<u>(2,583)</u>	<u>14,225</u>	<u>(21,872)</u>
Total Capital Assets, Net	<u>\$ 1,911</u>	<u>\$ 19,298</u>	<u>\$ 0</u>	<u>\$ 21,209</u>

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant impact on beginning net position as reported June 30, 2014 (see Note 14).

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees 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.

Plan Description

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee’s employment. Contributions made prior to the employee’s plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2014 can be found in the OPERS 2014 Comprehensive Annual Financial Report.

Pension Benefits – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

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 20 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 on or after January 7, 2013.

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. 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 35 or more years of service credit. Group C is 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% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% 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 2014 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 requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

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 members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% 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 – Defined contribution plan benefits are established in the plan documents, which may be amended by the Board of Trustees. 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 and investment gains or losses resulting from the members' investment selections. Employee contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS (continued)

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they 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 retiree or disability benefit recipient under the Traditional Pension Plan and Combed Plan. Death benefits are not available to beneficiaries of Member-Direct Plan participants.

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of reemployment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

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 of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2014.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

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 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.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for fiscal year 2015. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for fiscal year 2015 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2014 was \$10,229, which represented 100% of the Authority's required contribution, and the Authority's proportionate share of pension expense during the same period was \$8,810. The Authority did not make any contributions to the Combined Plan during calendar year 2014.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2014, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2014, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Proportionate Share of the Net Pension Liability	\$ 80,688
Proportion of the Net Pension Liability	0.0006690%

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation Date	December 31, 2014	December 31, 2014
Experience Study	5 Year Period Ending December 31, 2010	5 Year Period Ending December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25-10.05% (includes wage inflation at 3.75%)	4.25–8.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% 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% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Methods and Assumptions (continued)

The discount rate, used to measure the total pension liability was 8.0% 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 Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 8.0% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Authority's proportionate share of the net pension liability	\$ 148,444	\$ 80,688	\$23,622

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board of Trustees approved asset allocation policy for 2014 and the long-term expected real rates of return.

Asset Class	Allocation	Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	<u>18.00%</u>	4.59%
 Total	 <u>100%</u>	 5.28%

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 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.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Methods and Assumptions (continued)

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio was 6.95% for 2014.

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2014, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

Deferred Inflows and Deferred Outflows

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2014. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2014.

Deferred Inflows/(Outflows)	Total Deferred Inflows/(Outflows) Arising in Current Reporting Period	2014 Amortization Period	First Year of Amortization Recognized in Pension Expense	Balance of Deferred Inflows/(Outflows) in Current Reporting Period
Traditional Pension Plan				
Difference between Expected and Actual Experience	\$ 2,072	3.1673 years	\$ 654	\$ 1,418
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ (5,381)	5 years	\$ (1,076)	\$ (4,305)

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (continued)

Deferred Inflows and Deferred Outflows (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the Authority's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Outflows of Resources
2015	\$ (422)
2016	(422)
2017	(967)
2018	(1,076)
2019	-
Thereafter	-
Total	<u>\$ (2,887)</u>

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit 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 benefit recipients 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 Statement in the OPERS 2014 CAFR for details.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

7. OTHER POST-EMPLOYMENT BENEFITS (continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2015, the Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

In fiscal year 2015, the Authority's contributions to OPERS totaled \$10,229. Of this amount, \$3,288 was allocated to the health care plan. The portion of the Authority's fiscal year 2014 and 2013 contributions that were allocated to the health care plan were \$4,331 and \$4,184, respectively.

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, 2015. With the 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.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

8. COMPENSATED ABSENCES

The following is a summary of compensated absences at June 30, 2015:

	<u>Balance at 6/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/15</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 13,963	\$ 6,228	\$(23,508)	\$ 3,317	\$ 0

9. CONTINGENT LIABILITIES

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. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2015.

Litigation

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

10. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marion Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

11. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through October 27, 2015, the date on which the financial statements were available to be issued.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

12. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, the Authority has implemented the following:

GASB Statement No. 68 “Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27” improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and interperiod equity by requiring recognition of the entire pension liability and a more comprehensive measure of pension expense. This statement also replaces GASB Statement No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this statement had a significant effect on the financial statements of the Authority.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations” provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of the Authority.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68” eliminates the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of this statement had a significant effect on the financial statements of the Authority.

13. RESTATEMENT OF BEGINNING NET POSITION

For the fiscal year ended June 30, 2015, the Authority implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68”. The implementation of these standards had the following impact on beginning Net Position. In addition, accounts payable – HUD was understated:

Net Position, June 30, 2014	\$ 278,343
Net Pension Liability	(78,866)
Deferred Outflow of Resources – Pension Contributions	(1,047)
Understatement of Accounts Payable – HUD	<u>(1,088)</u>
Net Position, July 1, 2014, Restated	<u>\$ 197,342</u>

Marion Metropolitan Housing Authority
Statement of Net Position
June 30, 2015

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	TOTALS
111	Cash - Unrestricted	\$ 228,565	\$ 14,175	\$ 242,740
113	Cash - Restricted	79,777	13,630	93,407
100	Total Cash	308,342	27,805	336,147
122	Acct Rec-HUD Other Project	6,568	282	6,850
124	Acct Rec-Other Government	7,834		7,834
128	Fraud Recovery	11,211		11,211
128.1	Allow Doubtful Accounts	(11,211)		(11,211)
120	Net Total Receivables	14,402	282	14,684
142	Prepaid Expenses	3,246		3,246
145	Inter Program Due From			
150	Total Current Assets	325,990	28,087	354,077
161	Land	-		-
162	Buildings	-		-
164	F/E/M Admin.	39,124		39,124
166	Accum Depreciation	(17,915)		(17,915)
160	Net Fixed Assets	21,209	-	21,209
200	Deferred Outflow of Resources	4,305		4,305
290	TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 351,504	\$ 28,087	\$ 379,591
312	A/P <= 90 days	\$ 3,633	\$ -	\$ 3,633
321	Accrued Wage/Taxes Payable	1,611		1,611
310	Total Current Liabilities	5,244	-	5,244
354	Accrued Comp Abs. - Noncurrent	3,317		3,317
357	Accrued Pension and OpEB Liabilities	80,688		80,688
	Total Liabilities	89,249	-	89,249
400	Deferred Inflow of Resources	1,418		1,418
508.1	Invested in Capital Assets Net	21,209		21,209
511.1	Restricted Net Position	79,777	13,630	93,407
512.1	Unrestricted Net Position	159,851	14,457	174,308
513	Total Equity/Net Position	260,837	28,087	288,924
600	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY	\$ 351,504	\$ 28,087	\$ 379,591

Marion Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2015

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	HOME Investment Partnership	Business Activities	TOTALS
706-01	Housing Assistance Payment Revenue	\$ 2,548,379	\$ 280,902	\$ 33,288	\$ -	\$ 2,862,569
706-02	Administrative Fee Revenues	281,919				281,919
711	Investment Income - PHA	506	72			578
714	Fraud Recovery - PHA	1,340				1,340
715	Other Revenue	18,614			9,450	28,064
700	TOTAL REVENUE	2,850,758	280,974	33,288	9,450	3,174,470
911	Admin. Salaries	61,851	9,771	1,513		73,135
912	Audit	4,235				4,235
914	Advertisement & Marketing	558				558
915	Employee Benefits	48,838	7,861	1,217		57,916
916	Office Expenses	86,204	7,729	296		94,229
917	Legal Expense	2,038				2,038
918	Travel	3,148				3,148
919	Other	58,384	6,420		9,450	74,254
	Total Operating - Admin.	265,256	31,781	3,026	9,450	309,513
942	Ordinary Maint.	7,821				7,821
	Total Maint.	7,821	-	-	-	7,821
952	Protective Services - Other Contract Costs	914				914
961.2	Insurance - Liab Insurance	5,556	-	-	-	5,556
	Total Insurance	5,556	-	-	-	5,556
962.1	Comp Abs	(10,645)	-	-	-	(10,645)
	TOTAL OPERATING EXPENSES	268,902	31,781	3,026	9,450	313,159
970	Excess Oper. Rev. over Exp.	2,581,856	249,193	30,262	-	2,861,311
973	HAP	2,469,272	250,550	30,262		2,750,084
973.5	HAP Portability-In	17,062				17,062
974	Depreciation Exp	2,583				2,583
900	TOTAL EXPENSES	2,757,819	282,331	33,288	9,450	3,082,888
1000	NET INCOME (LOSS)	\$ 92,939	\$ (1,357)	\$ -	\$ -	\$ 91,582

Marion Metropolitan Housing Authority
 Additional Information Required by HUD
 June 30, 2015

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Supportive Housing for Persons With Disabilities
11030	Beginning Equity	\$ 247,851	\$ 30,532
11170	Administrative Fee Equity	\$ 181,318	\$ -
11180	Housing Assistance Payment Equity	\$ 79,777	\$ -
11190	Unit Months Available	6588	900
11210	Number of Unit Months Leased	6400	900

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND 2015
(UNAUDITED)**

	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0006690%	0.0006690%
Authority's Proportionate Share of the Net Pension Liability	\$ 80,688	\$ 78,866
Authority's Covered Employee Payroll	\$ 73,065	\$ 96,236
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	110.43%	81.95%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	86.45%	89.19%

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST TEN YEARS
(UNAUDITED)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required employer contribution	\$ 10,229	\$ 13,473	\$ 13,017	\$ 12,937	\$12,817	\$ 10,340	\$ 12,508	\$ 14,702
Contributions in relation to the contractually required contribution	\$ (10,229)	\$ (13,473)	\$ (13,017)	\$(12,937)	\$(12,817)	\$ (10,340)	\$ (12,508)	\$ (14,702)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority covered-employee payroll	\$ 73,065	\$ 96,236	\$ 92,979	\$ 92,407	\$ 91,550	\$ 73,857	\$ 89,343	\$ 105,618
Contribution as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%

Note: Only eight years of data was available.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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 and 2015.

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

MARION METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Award
 For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Housing Choice Voucher	14.871	N/A	\$2,830,298
Supportive Housing for Persons with Disabilities	14.181	N/A	280,902
HOME Investment Partnerships Program	14.239	N/A	33,288
Total Expenditures of Federal Awards			\$3,144,488

The accompanying notes are an integral part of the financial statements.



Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

I 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 Marion Metropolitan Housing Authority, Marion County, Ohio as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued my report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

As part of my financial statement audit, I considered the Marion Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Marion Metropolitan Housing Authority's internal control. Accordingly, I 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 Marion Metropolitan Housing 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Marion Metropolitan Housing 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 my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

I noted certain matters that I reported to management of Marion Metropolitan Housing Authority's in a separate letter dated October 27, 2015.

Purpose of this Report

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

Kevin L. Penn, Inc.

October 27, 2015



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

Report on Compliance for Each Major Federal Program

I have audited the Marion Metropolitan Housing Authority compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Marion Metropolitan Housing Authority's major federal programs for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Marion Metropolitan Housing Authority's major federal programs.

Management's Responsibility

The Marion Metropolitan Housing Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program(s).

Auditor's Responsibility

My responsibility is to opine on the Marion Metropolitan Housing Authority's compliance for each of the Marion Metropolitan Housing Authority's major federal program[s] based on my audit of the applicable compliance requirements referred to above. My 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require me 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 Marion Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on the Marion Metropolitan Housing Authority's major program(s). However, my audit does not provide a legal determination of the Marion Metropolitan Housing Authority's compliance.

Opinion on Each the Major Federal Program

In my opinion, the Marion Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal program(s) for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The Marion Metropolitan Housing 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 my compliance audit, I considered the Marion Metropolitan Housing Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my 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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Marion Metropolitan Housing 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of my internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

October 27, 2015

Marion Metropolitan Housing Authority
 Schedule of Findings
 June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None Reported

Type of auditor's report issued on compliance for major program:	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
---	----

Identification of major programs:	
14.871	Housing Choice Vouchers
14.239	HOME Investment Partnership

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
---	--------------------

Auditee qualified as low-risk auditee?	Yes
--	-----

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Marion Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

There were no audit findings, during the 2014 fiscal year.



Dave Yost • Auditor of State

MARION METROPOLITAN HOUSING AUTHORITY

MARION 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
MARCH 1, 2016**