

AUDITED BASIC FINANCIAL STATEMENTS
OF THE
MORGAN METROPOLITAN HOUSING AUTHORITY
JULY 1, 2014 – JUNE 30, 2015





Dave Yost • Auditor of State

Board of Directors
Morgan Metropolitan Housing Authority
4580 North State Route 376 NW
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 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 Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 2, 2016

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**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Morgan Metropolitan Housing Authority
Morgan County
4580 North State Route 376 NW
McConnelsville, Ohio 43756

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

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Morgan Metropolitan Housing Authority
Board of Directors
Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Metropolitan Housing Authority, Morgan County, Ohio, as of June 30, 2015, and the changes in its financial position its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, during the fiscal year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Morgan Metropolitan Housing Authority
Board of Directors
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 4, 2015

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

It is a privilege to present for you the financial picture of the Morgan Metropolitan Housing Authority. The Morgan Metropolitan Housing Authority’s (“the Authority”) *Management’s Discussion and Analysis* is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent year changes), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net position was \$1,998,740 and \$2,007,823 for 2015 and 2014 (as restated), respectively. The statements reflect a decrease in total net position of \$9,083 (or 0.45%), during 2015. This decrease is reflective of the fiscal year’s activities.
- The total revenues were \$1,007,648 and \$1,058,292 for 2015 and 2014, respectively. The statements reflect a decrease in total revenues of \$50,644 (or 4.79%), during 2015.
- The total expenses were \$1,016,731 and \$1,088,134 for 2015 and 2014, respectively. The statements reflect a decrease in total expenses of \$71,403 (or 6.56%), during 2015.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

BASIC FINANCIAL STATEMENTS

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

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

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

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have outstanding debt related to capital assets as of June 30, 2015.

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

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

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

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

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

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

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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

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

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

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

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$2,161,313 to \$2,007,823.

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**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Statement of Net Position

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

STATEMENT OF NET POSITION

| | 2015 | Restated 2014 |
|-----------------------------------|---------------------|---------------------|
| Current Assets | \$ 218,039 | \$ 196,928 |
| Capital Assets, Net | 1,978,990 | 2,042,025 |
| Total Assets | <u>2,197,029</u> | <u>2,238,953</u> |
| Deferred Outflow of Resources | <u>17,768</u> | <u>-</u> |
| Current Liabilities | 47,688 | 60,748 |
| Non-Current Liabilities | 165,610 | 170,382 |
| Total Liabilities | <u>213,298</u> | <u>231,130</u> |
| Deferred Inflow of Resources | <u>2,759</u> | <u>-</u> |
| Net Position: | | |
| Investment in Capital Assets | 1,978,990 | 2,042,025 |
| Restricted | 7,479 | - |
| Unrestricted | 12,271 | (34,202) |
| Total Net Position | <u>\$ 1,998,740</u> | <u>\$ 2,007,823</u> |

Major factors affecting the Statement of Net Position:

The change in the Capital Assets, Net is detailed later in the MD&A and the additions and depreciation expense are the factors that represent the change during the fiscal year. Deferred outflow of \$17,768 was not present in the prior fiscal year total based on GASB 68 being implemented for the fiscal year 2015 financial statements. Current liabilities and other decreased mainly by the deferred compensation due to the retirement and pay out to the executive director during the fiscal year. The non-current liabilities include the new pension liability, but the prior fiscal year was restated so the fiscal year figures are comparable.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

| | 2015 | Restated 2014 |
|-----------------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Revenues | | |
| Tenant Revenue | \$ 85,991 | \$ 62,118 |
| Operating Grants | 843,527 | 835,213 |
| Capital Grants | 52,753 | 133,937 |
| Fraud Recovery | 4,209 | 2,610 |
| Interest | 231 | 394 |
| Other Revenues | 20,937 | 24,020 |
| Total Revenue | <u>1,007,648</u> | <u>1,058,292</u> |
| Expenses | | |
| Administrative | 177,640 | 193,832 |
| Tenant Services | 98 | 10,671 |
| Utilities | 105,079 | 99,983 |
| Insurance | 14,690 | 18,595 |
| Maintenance | 144,569 | 132,290 |
| General | 20,838 | 18,871 |
| Housing Assistance Payments | 438,029 | 503,226 |
| Depreciation | 115,788 | 110,666 |
| Total Expenses | <u>1,016,731</u> | <u>1,088,134</u> |
| Change in Net Position | (9,083) | (29,842) |
| Net Position at July 1 | <u>2,007,823</u> | <u>N/A</u> |
| Net Position at June 30 | <u>\$ 1,998,740</u> | <u>\$ 2,007,823</u> |

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

The information necessary to restate the 2014 beginning balance and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include the pension expense of \$10,500 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions under the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$21,051. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

| | |
|--|-------------------|
| Total 2015 expenses under GASB 68 | \$1,016,731 |
| Pension expense under GASB 68 | (21,051) |
| 2015 Contractually required contribution made after measurement date | <u>9,389</u> |
| Adjusted 2015 total expenses | 1,005,069 |
| Total 2014 expenses under GASB 27 | <u>1,088,134</u> |
| Decrease in total expenses not related to pension | <u>(\$83,065)</u> |

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Tenant rents have increased due to more ceiling rent tenants in occupancy for 2015. Capital grants are down because during 2014 there were two grants being utilized and in 2015, only one grant was active. The capital grants account for the main decrease during the fiscal year in revenue. Administrative is down due to a director change and the benefits decreased, tenant services are down due to Family Self-Sufficiency grant was eliminated for HCV in fiscal year 2015 and housing assistance payments are down due to decreased funding.

CAPITAL ASSETS

As of the current fiscal year-end, the Authority had \$1,978,990 invested in net capital assets as reflected in the following schedule which represents a net decrease (additions less depreciation) of \$63,035 from the end of last fiscal year.

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

| | <u>Business-Type Activities</u> | |
|----------------------------|---------------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Land | \$ 279,150 | \$ 279,150 |
| Buildings | 4,165,275 | 4,165,275 |
| Equipment – Administrative | 86,140 | 86,140 |
| Equipment – Dwellings | 166,253 | 120,886 |
| Leasehold Improvements | 342,941 | 342,941 |
| Accumulated Depreciation | <u>(3,060,769)</u> | <u>(2,952,367)</u> |
| Total | <u>\$ 1,978,990</u> | <u>\$ 2,042,025</u> |

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

CHANGE IN CAPITAL ASSETS

| | <u>Business Type Activities</u> |
|-------------------|-------------------------------------|
| Beginning Balance | \$2,042,025 |
| Additions | 52,753 |
| Depreciation | <u>(115,788)</u> |
| Ending Balance | <u>\$1,978,990</u> |

During the fiscal year 2015, the Authority had \$7,386 disposals of capital assets; these assets were fully depreciated.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

DEBT OUTSTANDING

As of June 30, 2015, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

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

FINANCIAL CONTACT

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

Respectfully submitted,

Jenna Moody, Executive Director

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

Assets

Current Assets:

| | | |
|---------------------------|----|---------------|
| Cash and Cash Equivalents | \$ | 153,288 |
| Restricted Cash | | 40,306 |
| Receivable, Net | | 3,726 |
| Inventories, Net | | 7,564 |
| Prepaid Items | | <u>13,155</u> |

Total Current Assets 218,039

Non-Current Assets:

Capital Assets:

| | | |
|---|--|------------------|
| Nondepreciable Capital Assets | | 279,150 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | | <u>1,699,840</u> |
| Total Capital Assets | | <u>1,978,990</u> |

Total Non-Current Assets 1,978,990

Total Assets 2,197,029

Deferred Outflow of Resources 17,768

Liabilities

Current Liabilities:

| | | |
|---------------------------------|--|--------------|
| Accounts Payable | | 4,462 |
| Accrued Wages and Payroll Taxes | | 10,819 |
| Tenant Security Deposits | | 26,885 |
| Accrued Compensated Absences | | 3,167 |
| Unearned Revenue | | <u>2,355</u> |

Total Current Liabilities 47,688

Non-Current Liabilities:

| | | |
|------------------------------|--|--------------|
| Accrued Compensated Absences | | 2,632 |
| Net Pension Liability | | 157,036 |
| ROSS Liability | | <u>5,942</u> |

Total Non-Current Liabilities 165,610

Total Liabilities 213,298

Deferred Inflow of Resources 2,759

Net Position

| | | |
|------------------------------|--|---------------|
| Investment in Capital Assets | | 1,978,990 |
| Restricted | | 7,479 |
| Unrestricted | | <u>12,271</u> |

Total Net Position \$ 1,998,740

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | | |
|--|----------------|--------------------------------|
| Operating Revenues | | |
| Tenant Revenue | \$ | 85,991 |
| Operating Grants | | 843,527 |
| Fraud Recovery | | 4,209 |
| Other Revenues | | <u>20,937</u> |
| Total Operating Revenue | | <u>954,664</u> |
| Operating Expenses | | |
| Administrative | 177,640 | |
| Tenant Services | 98 | |
| Utilities | 105,079 | |
| Insurance | 14,690 | |
| Maintenance | 144,569 | |
| General | 20,838 | |
| Housing Assistance Payments | 438,029 | |
| Depreciation | <u>115,788</u> | |
| Total Operating Expenses | | <u>1,016,731</u> |
| Operating Loss | | <u>(62,067)</u> |
| Nonoperating Revenues | | |
| Interest Revenue | | 231 |
| HUD Capital Grants | | <u>52,753</u> |
| Total Nonoperating Revenues | | <u>52,984</u> |
| Change in Net Position | | (9,083) |
| Net Position at July 1, 2014, Restated | | <u>2,007,823</u> |
| Net Position at June 30, 2015 | \$ | <u><u>1,998,740</u></u> |

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:

| | |
|--|-----------|
| Cash received from tenants | \$ 89,943 |
| Cash received from other sources | 25,146 |
| Cash received from HUD and other grant sources | 840,808 |
| Cash payments for administrative | (495,369) |
| Cash payments for housing assistance payments | (438,029) |

| | |
|---|--------|
| Net cash provided by operating activities | 22,499 |
|---|--------|

Cash flows from capital and related financing activities:

| | |
|----------------------------------|----------|
| Capital funds received | 52,753 |
| Cash payments for capital assets | (52,753) |

| | |
|---|---|
| Net cash used in capital and related financing activities | - |
|---|---|

Cash flows from investing activities:

| | |
|-------------------|-----|
| Interest received | 231 |
|-------------------|-----|

| | |
|---|-----|
| Net cash provided by investing activities | 231 |
|---|-----|

| | |
|---|--------|
| Net change in cash and cash equivalents | 22,730 |
|---|--------|

| | |
|---|---------|
| Cash and cash equivalents at July 1, 2014 | 170,864 |
|---|---------|

| | |
|---|-------------------|
| Cash and cash equivalents at June 30, 2015 | \$ 193,594 |
|---|-------------------|

Reconciliation of operating loss to net cash provided by operating activities:

| | |
|---|-------------|
| Operating loss | \$ (62,067) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 115,788 |
| Changes in: | |
| Accounts receivable, net | 6,526 |
| Inventories, net | (752) |
| Prepaid items | (4,155) |
| Deferred outflow of resources | (17,768) |
| Accounts payable | 125 |
| Accrued wages and payroll taxes | (3,557) |
| Compensated absences | (7,175) |
| Other liabilities | (7,225) |
| Deferred inflow of resources | 2,759 |

| | |
|--|------------------|
| Net cash provided by operating activities | \$ 22,499 |
|--|------------------|

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

Measurement Focus

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

Enterprise Fund

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs. The following are the various programs which are included in the single enterprise fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB Statement No. 33 identifies four classes of nonexchange transactions as follows:

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions. GASB Statement No. 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

Unearned Revenue

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the fiscal year in which the services are consumed.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is \$1,750. The following are the estimated useful lives used for depreciation purposes:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

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

Due From/To Other Programs

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

Accrued Liabilities

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

Compensated Absences

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

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

Budgetary Accounting

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

Estimates

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

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable and fraud recovery receivable balances at the end of the fiscal year. The allowance for doubtful accounts was \$4,491 at June 30, 2015.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$840 at June 30, 2015.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions – Deferred inflow/outflow of Resources

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

Net Position

Net position represents the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. There was no related debt as of June 30, 2015. Net position is recorded as restricted when there are limitations imposed on their use either by internal or external restrictions. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did report restricted net position for HAP reserves of \$7,479 at June 30, 2015.

Operating/Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

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

2. CASH AND CASH EQUIVALENTS

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

At fiscal year end, the carrying amount of the Authority's deposits was \$193,544 and the bank balance was \$206,830. In addition, \$50 was maintained in petty cash funds which is included in cash and cash equivalents presented on the statement of net position. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2015, \$250,000 was covered by Federal Depository Insurance and \$0 was exposed to custodial risk.

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.

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

3. RESTRICTED CASH

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

| | |
|------------------------------------|----------------------|
| Tenant Security Deposits | \$ 26,885 |
| ROSS Escrow Funds | 5,942 |
| Housing Assistance Payment Reserve | <u>7,479</u> |
| Total Restricted Cash | <u>\$ 40,306</u> |

4. CAPITAL ASSETS

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

| | Balance at July 1, 2014 | Additions | Disposals | Balance at June 30, 2015 |
|--|------------------------------------|-----------------------|------------------|-------------------------------------|
| Capital Assets Not Depreciated | | | | |
| Land | \$ <u>279,150</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>279,150</u> |
| Total Capital Assets Not Depreciated | <u>279,150</u> | <u>0</u> | <u>0</u> | <u>279,150</u> |
| Capital Assets Depreciated | | | | |
| Building and Improvements | 4,508,216 | 0 | 0 | 4,508,216 |
| Furniture and Equipment | <u>207,026</u> | <u>52,753</u> | <u>(7,386)</u> | <u>252,393</u> |
| Total Capital Assets Depreciated | <u>4,715,242</u> | <u>52,753</u> | <u>(7,386)</u> | <u>4,760,609</u> |
| Accumulated Depreciation | | | | |
| Building and Improvements | (2,783,309) | (102,777) | 0 | (2,886,086) |
| Equipment | <u>(169,058)</u> | <u>(13,011)</u> | <u>7,386</u> | <u>(174,683)</u> |
| Total Accumulated Depreciation | <u>(2,952,367)</u> | <u>(115,788)</u> | <u>7,386</u> | <u>(3,060,769)</u> |
| Total Capital Assets Depreciated, Net | <u>1,762,875</u> | <u>(63,035)</u> | <u>-</u> | <u>1,669,840</u> |
| Total Capital Assets, Net | <u>\$ 2,042,025</u> | <u>\$(63,035)</u> | <u>\$ -</u> | <u>\$ 1,978,990</u> |

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

5. LONG-TERM LIABILITIES

Long-term liabilities are summarized as follows:

| <u>Description</u> | <u>Restated Balance July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2015</u> | <u>Due Within One Year</u> |
|-----------------------------|--|-------------------------|--------------------------|----------------------------------|--------------------------------|
| FSS Escrow Liability | \$ 4,347 | \$ 5,825 | \$(4,347) | \$0 | \$ 0 |
| ROSS Escrow Liability | <u>5,945</u> | <u>6,743</u> | <u>(6,746)</u> | <u>5,942</u> | <u>0</u> |
| Total Escrow Liability | <u>10,292</u> | <u>14,888</u> | <u>(11,093)</u> | <u>5,942</u> | <u>0</u> |
| Net Pension Liability | 153,490 | 3,546 | 0 | 157,036 | 0 |
| Compensated Absence Payable | <u>12,974</u> | <u>10,189</u> | <u>(17,364)</u> | <u>5,799</u> | <u>3,167</u> |
| Total | <u>\$ 176,756</u> | <u>\$ 20,478</u> | <u>\$(28,457)</u> | <u>\$168,777</u> | <u>\$3,167</u> |

The noncurrent liability of \$5,942 represents escrow money held in escrow for residents participating in the ROSS program. Each month contributions are deposited into the Authority’s savings account on behalf of the program participants. Participants enter into an initial five year contract (with an option for a two year extension upon Authority’s approval). At the end of the contract, the participant either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs in the program, the money earned is used by the Authority to reinvest into the program.

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

6. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Authority implemented the 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.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | |
|-------------------------------------|----------------------------|
| Net position June 30, 2014 | \$ 2,161,313 |
| Adjustments: | |
| Less: Net Pension Liability | <u>153,490</u> |
| Restated Net Position June 30, 2014 | <u><u>\$ 2,007,823</u></u> |

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

7. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

1. The Traditional Pension Plan – A cost-sharing, multiple -employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

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

7. DEFINED BENEFIT PENSION PLAN - CONTINUED

3. The Combined Plan – A cost-sharing, multiple -employer defined plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides age and service retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 145. OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position. That report can be obtained by visiting the OPERS website at www.opers.org.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Authority is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the PERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the contribution rate consistent across all three plans.

The Authority’s contractually required contribution to OPERS was \$23,124 for fiscal year 2015. Of this amount \$-0- is reported as an intergovernmental payable.

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

The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s share of the contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | |
|--|-------------------------------|
| | <u>OPERS Traditional Plan</u> |
| Proportionate Share of the Net Pension Liability | \$157,036 |
| Proportion of the Net Pension Liability | 0.001302% |
| Pension Expense | \$21,051 |

The Authority’s employees have only participated in the Traditional Plan.

At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | |
|---|--------------------------------|
| | <u>Total Deferred Outflows</u> |
| Net difference between projected and actual investment earnings on pension plan investments | \$ 8,379 |
| Authority contributions subsequent to the measurement date | <u>9,389</u> |
| Total Deferred Outflows of Resources | <u><u>\$ 17,768</u></u> |

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

7. DEFINED BENEFIT PENSION PLAN - CONTINUED

| | | | |
|---|---|---------------------------|----------|
| | <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center;">Total Deferred Inflows</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black;">\$ 2,759</td> </tr> </table> | Total Deferred Inflows | \$ 2,759 |
| Total Deferred Inflows | | | |
| \$ 2,759 | | | |
| Difference between expected and actual experience | | | |

The \$9,389 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Under the Traditional Pension Plan, the 2014 amortization period for the difference between expected and actual experience is 3.1673 years, and 5 years for the net difference between projected and actual investment earning on pension plan investments. These amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

| | |
|-----------------------------|------------|
| Fiscal Year Ending June 30: | |
| 2015 | \$ (805) |
| 2016 | (805) |
| 2017 | (805) |
| 2018 | (1,530) |
| 2019 | (1,675) |
| Total | \$ (5,620) |

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---------------------------|--|--|
| Wage Inflation | | 3.75 percent |
| Price Inflation | | 3.00 percent |
| Investment Rate of Return | | 8.00 percent net of investments expense, including inflation |
| Actuarial Cost Method | | Entry Age Normal |

Special tables are used for the period after disability retirement and post-retirement mortality. The most recent experience study was completed December 31, 2010.

The long-term return expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

7. DEFINED BENEFIT PENSION PLAN - CONTINUED

| <u>Asset Class</u> | <u>Target Allocation for 2014</u> | <u>Weighted Average Long-Term Expected Real Rate of Return</u> |
|------------------------|---|--|
| 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 | 18.00% | 4.59% |
| TOTAL | 100.00% | 5.28% |

Discount Rate The total pension liability was calculated using the discount rate of 8 percent. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (8 percent) than the current rate:

| | <u>1% Decrease (7%)</u> | <u>Current Discount Rate (8%)</u> | <u>1% Increase (9%)</u> |
|---|-----------------------------|---|-----------------------------|
| Authority's proportionate share of the net pension liability | \$ 288,900 | \$ 157,036 | \$ 45,974 |

Plan Fiduciary Net Position Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS's financial report.

Other Post Retirement Benefits – In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten 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-Retirement Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

7. DEFINED BENEFIT PENSION PLAN - CONTINUED

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 benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan and Combined Plan was 2% during calendar year 2014 (latest information available). Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the 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. Employer contributions made to fund post-employment benefits were approximately \$3,302.

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

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2015, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis. The audited version of the entity wide balance sheet summary and entity wide revenue and expense summary are included as supplemental data. The schedules are presented in the manner prescribed by U. S. Department of Housing and Urban Development.

9. CONTINGENT LIABILITIES

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

10. RISK MANAGEMENT

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
LAST TWO FISCAL YEARS**

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Authority's Proportion of the Net Pension Liability | 0.001302% | 0.001302% |
| Authority's Proportionate Share of the Net Pension Liability | \$157,036 | \$153,490 |
| Authority's Covered Employee Payroll | \$165,173 | \$156,986 |
| Authority's Proportionate Share of the Net Pension Liability As a Percentage of its Covered Employee Payroll | 95.07% | 98.69% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.45% | 89.19% |

(1) Information prior to 2014 is not available

(2) The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Contractually required employer contribution | \$ 23,124 | \$ 21,978 | \$ 23,076 | \$ 20,719 | \$ 24,562 | \$ 21,829 | \$ 22,410 | \$ 19,271 | \$ 19,757 | \$ 21,495 |
| Contributions in Relation to the Contractually Required Contribution | (23,124) | (21,978) | (23,076) | (20,719) | (24,562) | (21,829) | (22,410) | (19,271) | (19,757) | (21,495) |
| Contribution Deficiency (Excess) | - | - | - | - | - | - | - | - | - | - |
| Authority Covered-Employee Payroll | \$165,173 | \$156,986 | \$164,828 | \$147,993 | \$175,443 | \$155,921 | \$160,071 | \$138,366 | \$150,524 | \$157,819 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.93% | 13.13% | 13.62% |

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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MORGAN METROPOLITAN HOUSING AUTHORITY
 ENTITY WIDE BALANCE SHEET SUMMARY - FDS SCHEDULE SUBMITTED TO HUD
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Project Total | Housing Choice Vouchers 14.871 | State/Local | Business Activities | Resident Opportunity and Supportive Services 14.870 | Subtotal | Eliminations | Total |
|--|---------------|-----------------------------------|-------------|------------------------|--|-------------|--------------|-------------|
| 111 Cash - Unrestricted | 126,422 | 17,671 | | 9,195 | | 153,288 | | 153,288 |
| 112 Cash - Restricted - Modernization and Development | | | | | | - | | - |
| 113 Cash - Other Restricted | | 7,479 | | | 5,942 | 13,421 | | 13,421 |
| 114 Cash - Tenant Security Deposits | 26,885 | | | | | 26,885 | | 26,885 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | | - | | - |
| 100 Total Cash | 153,307 | 25,150 | | 9,195 | 5,942 | 193,594 | | 193,594 |
| 121 Accounts Receivable - PHA Projects | | | | | | - | | - |
| 122 Accounts Receivable - HUD Other Projects | | | | | | - | | - |
| 124 Accounts Receivable - Other Government | | | 1,061 | | | 1,061 | | 1,061 |
| 124 Accounts Receivable - HUD | | | | | | - | | - |
| 125 Accounts Receivable - Miscellaneous | | | | | | - | | - |
| 126 Accounts Receivable - Tenants | 3,487 | | | | | 3,487 | | 3,487 |
| 126.1 Allowance for Doubtful Accounts - Tenants | (3,385) | | | | | (3,385) | | (3,385) |
| 126.2 Allowance for Doubtful Accounts - Other | | | | | | - | | - |
| 127 Notes, Loans, & Mortgages Receivable - Current allow for notes rece | | | | | | - | | - |
| 128 Fraud Recovery | | 3,669 | | | | 3,669 | | 3,669 |
| 128.1 Allowance for Doubtful Accounts - Fraud | | (1,106) | | | | (1,106) | | (1,106) |
| 129 Accrued Interest Receivable | | | | | | - | | - |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | 102 | 2,563 | 1,061 | - | - | 3,726 | | 3,726 |
| 131 Investments - Unrestricted | | | | | | - | | - |
| 132 Investments - Restricted | | | | | | - | | - |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | - | | - |
| 142 Prepaid Expenses and Other Assets | 12,278 | 877 | | | | 13,155 | | 13,155 |
| 143 Inventories | 8,404 | | | | | 8,404 | | 8,404 |
| 143.1 Allowance for Obsolete Inventories | (840) | | | | | (840) | | (840) |
| 144 Inter Program Due From | 1,193 | | | | | 1,193 | (1,193) | - |
| 145 Assets Held for Sale | - | | | | | - | | - |
| 150 Total Current Assets | 174,444 | 28,590 | 1,061 | 9,195 | 5,942 | 219,232 | (1,193) | 218,039 |
| 161 Land | 274,650 | 4,500 | | | | 279,150 | | 279,150 |
| 162 Buildings | 4,090,925 | 74,350 | | | | 4,165,275 | | 4,165,275 |
| 163 Furniture, Equipment & Machinery - Dwellings | 166,253 | | | | | 166,253 | | 166,253 |
| 164 Furniture, Equipment & Machinery - Administration | 65,468 | 20,672 | | | | 86,140 | | 86,140 |
| 165 Leasehold Improvements | 342,941 | | | | | 342,941 | | 342,941 |
| 166 Accumulated Depreciation | (3,024,028) | (36,741) | | | | (3,060,769) | | (3,060,769) |
| 167 Construction in Progress | - | | | | | - | | - |
| 168 Infrastructure | - | | | | | - | | - |
| 160 Total Capital Assets, Net of Accumulated Depreciation | 1,916,209 | 62,781 | | | | 1,978,990 | | 1,978,990 |
| 180 Total Non-Current Assets | 1,916,209 | 62,781 | | | | 1,978,990 | | 1,978,990 |
| 200 Deferred Outflow of Resources | 14,392 | 3,376 | | | | 17,768 | | 17,768 |
| 290 Total Assets and Deferred Outflows | 2,105,045 | 94,747 | 1,061 | 9,195 | 5,942 | 2,215,990 | (1,193) | 2,214,797 |

| | | | | | | | | |
|---|-----------|----------|-------|-------|-------|-----------|---------|-----------|
| 311 Bank Overdraft | - | - | - | - | - | - | - | - |
| 312 Accounts Payable <= 90 Days | 4,017 | 445 | - | - | - | 4,462 | - | 4,462 |
| 313 Accounts Payable >90 Days Past Due | - | - | - | - | - | - | - | - |
| 321 Accrued Wage/Payroll Taxes Payable | 7,649 | 1,631 | - | - | - | 9,280 | - | 9,280 |
| 322 Accrued Compensated Absences - Current Portion | 2,033 | 1,134 | - | - | - | 3,167 | - | 3,167 |
| 324 Accrued Contingency Liability | - | - | - | - | - | - | - | - |
| 325 Accrued Interest Payable | - | - | - | - | - | - | - | - |
| 331 Accounts Payable - HUD PHA Programs | - | - | - | - | - | - | - | - |
| 332 Account Payable - PHA Projects | - | - | - | - | - | - | - | - |
| 333 Accounts Payable - Other Government | - | - | - | - | - | - | - | - |
| 341 Tenant Security Deposits | 26,885 | - | - | - | - | 26,885 | - | 26,885 |
| 342 Deferred Revenues | - | - | - | 2,355 | - | 2,355 | - | 2,355 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage | - | - | - | - | - | - | - | - |
| 344 Current Portion of Long-term Debt - Operating Borrowings | - | - | - | - | - | - | - | - |
| 345 Other Current Liabilities | - | - | - | - | - | - | - | - |
| 346 Accrued Liabilities - Other | 1,416 | 123 | - | - | - | 1,539 | - | 1,539 |
| 347 Inter Program - Due To | - | - | 1,061 | 132 | - | 1,193 | (1,193) | - |
| 310 Total Current Liabilities | 42,000 | 3,333 | 1,061 | 2,487 | - | 48,881 | (1,193) | 47,688 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage | - | - | - | - | - | - | - | - |
| 352 Long-term Debt, Net of Current - Operating Borrowings | - | - | - | - | - | - | - | - |
| 353 Non-current Liabilities - Other | - | - | - | - | 5,942 | 5,942 | - | 5,942 |
| 354 Accrued Compensated Absences - Non Current | 1,369 | 1,263 | - | - | - | 2,632 | - | 2,632 |
| 355 Loan Liability - Non Current | - | - | - | - | - | - | - | - |
| 356 FASB 5 Liabilities | - | - | - | - | - | - | - | - |
| 357 Accrued Pension and OPEB Liabilities | 127,199 | 29,837 | - | - | - | 157,036 | - | 157,036 |
| 350 Total Non-Current Liabilities | 128,568 | 31,100 | - | - | 5,942 | 165,610 | - | 165,610 |
| 300 Total Liabilities | 170,568 | 34,433 | 1,061 | 2,487 | 5,942 | 214,491 | (1,193) | 213,298 |
| 400 Deferred Inflow of Resources | 2,235 | 524 | - | - | - | 2,759 | - | 2,759 |
| 508.1 Invested in Capital Assets, Net of Related Debt | 1,916,209 | 62,781 | - | - | - | 1,978,990 | - | 1,978,990 |
| 509.2 Fund Balance Reserved | - | - | - | - | - | - | - | - |
| 511.2 Unreserved, Designated Fund Balance | - | - | - | - | - | - | - | - |
| 511.1 Restricted Net Position | - | 7,479 | - | - | - | 7,479 | - | 7,479 |
| 512.1 Unrestricted Net Position | 16,033 | (10,470) | - | 6,708 | - | 12,271 | - | 12,271 |
| 512.2 Unreserved, Undesignated Fund Balance | - | - | - | - | - | - | - | - |
| 513 Total Equity/Net Position | 1,932,242 | 59,790 | - | 6,708 | - | 1,998,740 | - | 1,998,740 |
| 600 Total Liabilities, Deferred Inflows, and Equity/Net Position | 2,105,045 | 94,747 | 1,061 | 9,195 | 5,942 | 2,215,990 | (1,193) | 2,214,797 |

MORGAN METROPOLITAN HOUSING AUTHORITY
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY - FDS SCHEDULE SUBMITTED TO HUD
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Project Total | Housing Choice Vouchers 14.871 | State/Local | Business Activities | Resident Opportunity and Supportive Services 14.870 | Subtotal | Eliminations | Total |
|---|---------------|--------------------------------|-------------|---------------------|---|-----------|--------------|-----------|
| 70300 Net Tenant Rental Revenue | 85,563 | | | | | 85,563 | | 85,563 |
| 70400 Tenant Revenue - Other | 428 | | | | | 428 | | 428 |
| 70500 Total Tenant Revenue | 85,991 | | | | | 85,991 | | 85,991 |
| 70600 HUD PHA Operating Grants | 283,548 | 520,867 | | | 32,238 | 836,653 | | 836,653 |
| 70610 Capital Grants | 52,753 | | | | | 52,753 | | 52,753 |
| 70710 Management Fee | | | | | | - | | - |
| 70720 Asset Management Fee | | | | | | - | | - |
| 70730 Book Keeping Fee | | | | | | - | | - |
| 70740 Front Line Service Fee | | | | | | - | | - |
| 70750 Other Fees | | | | | | - | | - |
| 70700 Total Fee Revenue | | | | | | - | | - |
| 70800 Other Government Grants | | | 6,874 | | | 6,874 | | 6,874 |
| 71100 Investment Income - Unrestricted | 169 | 62 | | | | 231 | | 231 |
| 71200 Mortgage Interest Income | | | | | | - | | - |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | - | | - |
| 71310 Cost of Sale of Assets | | | | | | - | | - |
| 71400 Fraud Recovery | 1,857 | 2,352 | | | | 4,209 | | 4,209 |
| 71500 Other Revenue | 14,200 | 3,938 | | 2,799 | - | 20,937 | | 20,937 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | - | | - |
| 72000 Investment Income - Restricted | | | | | | - | | - |
| 70000 Total Revenue | 438,518 | 527,219 | 6,874 | 2,799 | 32,238 | 1,007,648 | | 1,007,648 |
| 91100 Administrative Salaries | 51,118 | 24,740 | | 709 | 22,234 | 98,801 | | 98,801 |
| 91200 Auditing Fees | 2,943 | 3,324 | | | | 6,267 | | 6,267 |
| 91300 Management Fee | | | | | | - | | - |
| 91310 Book-keeping Fee | | | | | | - | | - |
| 91400 Advertising and Marketing | 93 | 11 | | | | 104 | | 104 |
| 91500 Employee Benefit contributions - Administrative | 15,183 | 10,413 | | | 10,004 | 35,600 | | 35,600 |
| 91600 Office Expenses | | | | | | - | | - |
| 91700 Legal Expense | 3,840 | | | | | 3,840 | | 3,840 |
| 91800 Travel | 1,481 | 1,244 | | | | 2,725 | | 2,725 |
| 91810 Allocated Overhead | | | | | | - | | - |
| 91900 Other | 19,346 | 10,957 | | | | 30,303 | | 30,303 |
| 91000 Total Operating - Administrative | 94,004 | 50,689 | | 709 | 32,238 | 177,640 | | 177,640 |
| 92000 Asset Management Fee | | | | | | - | | - |
| 92100 Tenant Services - Salaries | | | | | | - | | - |
| 92200 Relocation Costs | | | | | | - | | - |
| 92300 Employee Benefit Contributions - Tenant Services | | | | | | - | | - |
| 92400 Tenant Services - Other | 98 | | | | | 98 | | 98 |
| 92500 Total Tenant Services | 98 | - | - | - | - | 98 | | 98 |
| 93100 Water | 89,726 | 374 | | | | 90,100 | | 90,100 |
| 93200 Electricity | 10,949 | 656 | | | | 11,605 | | 11,605 |
| 93300 Gas | 3,235 | 139 | | | | 3,374 | | 3,374 |
| 93400 Fuel | | | | | | - | | - |
| 93500 Labor | | | | | | - | | - |
| 93600 Sewer | | | | | | - | | - |
| 93700 Employee Benefit Contributions - Utilities | | | | | | - | | - |
| 93800 Other Utilities Expense | | | | | | - | | - |
| 93000 Total Utilities | 103,910 | 1,169 | | - | - | 105,079 | | 105,079 |

| | | | | | | | |
|--|-----------|----------|-------|-------|--------|-----------|-----------|
| 94100 Ordinary Maintenance and Operations - Labor | 43,738 | | 5,900 | 303 | | 49,941 | 49,941 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 9,805 | 783 | | | | 10,588 | 10,588 |
| 94300 Ordinary Maintenance and Operations Contracts | 35,795 | 7,183 | | | | 42,978 | 42,978 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | 40,088 | | 974 | | | 41,062 | 41,062 |
| 94000 Total Maintenance | 129,426 | 7,966 | 6,874 | 303 | - | 144,569 | 144,569 |
| 95100 Protective Services - Labor | | | | | | | |
| 95200 Protective Services - Other Contract Costs | | | | | | | |
| 95300 Protective Services - Other | | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | | | | | | | |
| 95000 Total Protective Services | | | | | | | |
| 96110 Property Insurance | 14,640 | 50 | | | | 14,690 | 14,690 |
| 96120 Liability Insurance | | | | | | | |
| 96130 Workmen's Compensation | | | | | | | |
| 96140 All Other Insurance | | | | | | | |
| 96100 Total insurance Premiums | 14,640 | 50 | | | | 14,690 | 14,690 |
| 96210 Compensated Absences | 13,620 | 3,744 | | | | 17,364 | 17,364 |
| 96300 Payments in Lieu of Taxes | | | | | | | |
| 96400 Bad debt - Tenant Rents | 3,474 | | | | | 3,474 | 3,474 |
| 96500 Bad debt - Mortgages | | | | | | | |
| 96600 Bad debt - Other | | | | | | | |
| 96800 Severance Expense | | | | | | | |
| 96000 Total Other General Expenses | 17,094 | 3,744 | | | | 20,838 | 20,838 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | | | |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | | | | | | | |
| 96900 Total Operating Expenses | 359,172 | 63,618 | 6,874 | 1,012 | 32,238 | 462,914 | 462,914 |
| 97000 Excess of Operating Revenue over Operating Expenses | 79,346 | 463,601 | | 1,787 | | 544,734 | 544,734 |
| 97100 Extraordinary Maintenance | | | | | | | |
| 97200 Casualty Losses - Non-capitalized | | | | | | | |
| 97300 Housing Assistance Payments | | 439,529 | | | | 439,529 | 439,529 |
| 97350 HAP Portability-In | | (1,500) | | | | (1,500) | (1,500) |
| 97400 Depreciation Expense | 109,367 | 6,421 | | | | 115,788 | 115,788 |
| 97500 Fraud Losses | | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | | |
| 90000 Total Expenses | 468,539 | 508,068 | 6,874 | 1,012 | 32,238 | 1,016,731 | 1,016,731 |
| 10093 Transfers between Program and Project - In | 44,651 | | | | | 44,651 | 44,651 |
| 10094 Transfers between Project and Program - Out | (44,651) | | | | | (44,651) | (44,651) |
| 10100 Total Other financing Sources (Uses) | | | | | | | |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total | (30,021) | 19,151 | | 1,787 | | (9,083) | (9,083) |
| 11030 Beginning Equity | 2,086,590 | 69,802 | | 4,921 | | 2,161,313 | 2,161,313 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of | (124,327) | (29,163) | | | | (153,490) | (153,490) |
| 11170 Administrative Fee Equity | | 52,311 | | | | 52,311 | 52,311 |
| 11180 Housing Assistance Payments Equity | | 7,479 | | | | 7,479 | 7,479 |

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <u>Federal Grantor / Pass Through Grantor Program Title</u> | <u>Pass- Through Number</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|---|-------------------------------------|------------------------|---------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Public and Indian Housing - Low Rent Public Housing | N/A | 14.850 | \$ 238,897 |
| Resident Opportunity and Supportive Services - Service Coordinators | N/A | 14.870 | 32,238 |
| Section 8 Housing Choice Vouchers | N/A | 14.871 | 520,867 |
| Public Housing Capital Fund | N/A | 14.872 | 97,404 |
| Total Federal Award Expenditures | | | <u>\$ 889,406</u> |

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

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

Morgan Metropolitan Housing Authority
Morgan County
4580 North State Route 376 NW
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Morgan Metropolitan Housing Authority, Morgan County, (the Authority) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 4, 2015, wherein we noted the Authority adopted Governmental Accounting Standard No 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
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1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 4, 2015



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

Morgan Metropolitan Housing Authority
Morgan County
4580 North State Route 376 NW
McConnelsville, Ohio 43756

To the Board of Directors:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Wilson, Shannon & Snow, Inc.

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

Opinion on the Major Federal Program

In our opinion, the Morgan Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of our internal control 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.



Newark, Ohio
December 4, 2015

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Program (list): | Section 8 Housing Choice Vouchers/CFDA #14.871 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

MORGAN COUNTY METROPOLITAN HOUSING AUTHORITY

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2016**